

**Report of the
Cook County Bureau of Health Services
Review Committee**

October, 2007

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Review Committee Charge

On May 15, 2007, President Todd H. Stroger, President of the Cook County Board of Commissioners, convened a 10 member Review Committee that was formed at the request of U.S. Senator Richard J. Durbin to review the critical issues facing the Cook County Bureau of Health Services. The names of Review Committee members, their current positions, and their affiliations are listed on page 3 of this report. The Review Committee has been charged with evaluating the following:

1. A review of the mission and proposed scope of service (vision) for the Bureau of Health Services.
2. A review of the short-term and long-term strategies to insure financial stability.
3. A review of the organizational structure of the Bureau of Health Services and resource availability (management and consultant) with a comparison to both common and best practices to assure a high likelihood of successful implementation.
4. A review of the governance structure with a comparison to common and best practices to assure appropriate oversight.
5. An appointment that would span sufficient time to review these issues and transition to an appropriate oversight structure to assure successful implementation.

Review Committee Organization and Process

The Committee has met¹, either in whole or in part, over twenty times. The Review Committee organized themselves into a Finance and Governance Sub-Committees to address the committee charges. All committees members reviewed a number of reports for background including: (1) “America’s Health Care Safety Net: Intact but Endangered,” from the Institute of Medicine, 2000; (2) “Legal Structure and Governance of Public Hospitals and Health Systems,” published by the National Association of Public

¹ Includes Review Committee meetings, sub-committee meetings, and interviews through September 14, 2007.

Hospitals and Health Systems, 2006; (3) “Protecting the Legacy of Vulnerable Populations: Essential Priorities for the Cook County Health Care System,” published in 2006, authored by Kevin Weiss, MD, Patricia Terrell, Terrence Conway, MD, and Matt Powers; (4) “The Health and Hospitals Committee report of 2006” prepared for Interim Cook County Board President, Bobbie Steele; and (5) “The Health Care Committee Transition Team Report” of early 2007 prepared for the Cook County Board President, Todd Stroger.

The Review Committee has also reviewed numerous County financial reports, audited financials for 2005 and 2006, the FY 2007 Executive Budget Briefing, a Financial Restructuring Plan presented by Bureau of Health Services leadership, a copy of the briefing given to the Cook County Board by Dr. Simon presented in June 2007, and numerous other materials provided at the request of the Committee. A complete list of documents reviewed can be found in Appendix A.

The Review Committee wishes to thank President Stroger and members of the County Board for making themselves available to the Committee. We also wish to recognize Bureau of Health Services Interim Bureau Chief Robert Simon, MD, Bureau of Health Services Chief Operating Officer Tom Glaser, Bureau of Health Services Chief Financial Officer John Cookinham, Chief Financial Officer for Cook County Donna Dunning and Comptroller for Cook County Joseph Fratto for their availability and timely responses to our requests. The Review Committee also wishes to thank all interviewees for their willingness to meet and provide candid appraisals. A complete list of all interviews can be found in Appendix B. The Review Committee also thanks Lauren Brinkmeyer for her contribution as staff to the Committee.

Lastly, the Review Committee acknowledges the limitations inherent in an 18 week review process of this nature, but nevertheless has reached unanimity on the observations, conclusions, and recommendations below.

Review Committee Report Members

Kathleen K. DeVine

Former Chief Executive Officer
Saint Anthony Hospital

Larry J. Goodman, MD

President and Chief Executive Officer
Rush University Medical Center and
Chairman, Bureau of Health Services Review Committee

David S. Hefner

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Rush University Medical Center

Richard M. Jaffee

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Executive Summary

The Review Committee has completed its appraisal of the crisis at the Cook County Bureau of Health Services. Our attached report provides the basis for our summary findings and recommendations below.

The Review Committee believes the crisis is a real one, and that it has a number of key components. These include the following:

1. Mission – The mission of the County health care system is at risk.
2. Morale – Physician morale is low within the Bureau with a number of doctors leaving or preparing to leave. We believe the morale of other employees has been similarly affected by the current status.
3. Governance – There is poor coordination of oversight of the Bureau of Health Services, limited input by the County Board, and no long-term strategic or financial planning processes involving management and the County leadership. The current governance and oversight process is not adequate to address this crisis.
4. Financial – The Bureau will again have a large financial shortfall this year, even after significant expense reductions.
5. Credibility - The uncertainty of the future coupled with the above issues has serious questions concerning the credibility of many. This extends beyond the County system. The public and civic leaders of this community are at a critical juncture to respond to these serious issues.

Most importantly, the Review Committee calls on President Stroger and the County Board of Commissioners to recognize this crisis and respond to it urgently and vigorously. We believe this response will require significant and immediate modifications to the County's normal governance and management practices.

The Review Committee cannot underscore enough the negative impact a further weakened Bureau of Health Services would have on the health of our community.

Overview Comments Concerning Our Charge

- 1. A review of the mission and proposed scope of services (vision) for the Bureau of Health Services.*

The mission of the Bureau of Health Services is to “provide integrated health services with dignity and respect regardless of a patient’s ability to pay.” The Bureau’s scope of services and geographic reach are broad reflecting the diverse needs of its patient and the public health needs of the population of Cook County. The Bureau of Health Services has historically delivered on this important mission.

However, the Review Committee strongly believes that at this time the critical mission of the Bureau is at risk.

- 2. A review of the short-term and long-term strategies to ensure financial stability.*

The primary short term strategy to address the financial crisis has been a significant reduction in expenses which was assigned to management by County leadership. In addition, there are plans to address the revenue cycle and other sources of revenue. Unfortunately, the sorts of financial reports and analytical capabilities one would expect in a health system of this size are not present, increasing the likelihood of flawed decision making which can impact clinical services in ways not anticipated and also reduce future revenue opportunities. These factors, coupled with the rapidity of the reductions, have also had a very negative impact on morale. Given this setting, further significant expense reductions could have a disastrous effect.

The Review Committee found no evidence of a long term strategic or financial planning process involving management and the County Board.

- 3. A review of the organizational structure of the Bureau of Health Services and resource availability (management and consultant) with a comparison to common and best practices to assure a high likelihood of successful implementation.*

The management team does not have the full set of skills and support personnel at their disposal to successfully address this crisis. The Bureau Chief does not have the

latitude to hire his/her own team or select the best consultant(s) or vendors for the system. Currently, there are no regular monthly financial reports, few capabilities to analyze financial and volume data, and long delays in selecting and bringing in outside help.

4. A review of the governance structure with a comparison to common and best practices to assure appropriate oversight.

The governance of the Cook County Bureau of Health Services is atypical compared to other public health hospitals and systems (See Appendix D for continuum of public hospital governance). Despite some impressive historical accomplishments, the current governance and oversight process is not adequate. Many of the individuals we interviewed agree that the current processes that are being used to provide oversight are not sufficient during this time of crisis.

The Review Committee strongly believes that the President and the County Board will need to fundamentally change their governance and oversight processes if the issues facing the Bureau of Health Services are to be successfully addressed. Interviewees acknowledged that the Bureau of Health Services was in a crisis. However, there has not been a significant change in the oversight or planning processes. Because of this, the Review Committee has concluded that it is unlikely that the President and County Board will (or possibly can) streamline the current bureaucracy and modify the system of current oversight sufficiently to adequately address this crisis. The Review Committee is not commenting on the interest or commitment of individual members of the governing body; we are only observing the collective actions (or inactions) of governance. Additional persons, such as an advisory group, could augment the President's and County Board's efforts. However, that group's input would be in the form of recommendations into the current governance and oversight process which we believe would be insufficient to respond to the challenge of this magnitude and complexity.

This crisis requires new processes, new strategies, and rapid decision making. Cook County is not the first public health system to face these issues. Just as has been done in other locales nationwide, governance could be delegated to some other entity. The

Review Committee recommends the creation of an independent Board to best address these serious issues.

However, this crisis cannot wait for an evaluation and debate over alternative governance structures. Current leadership, including Bureau of Health Services management, the Cook County Board, the President, and other civic and political leaders must come together now with a significant alteration in government to respond in the best interests of the Bureau of Health Services.

5. An appointment that would span sufficient time to review these issues and transition to an appropriate oversight structure to assure successful implementation.

The Review Committee acknowledges the limitations of an 18 week review process. Nevertheless, given the need to complete an initial assessment quickly and the magnitude of the crisis, we believe this report is a reasonable summary of these critical issues.

Importantly, as noted above, we are not confident that the current oversight structure is sufficient to assure successful implementation of these recommendations.

Key Finding and Conclusions:

1. The Cook County Bureau of Health Services plays a major role in the health of this region.
2. Overall, the Bureau of Health Services provides high quality health care.
3. The Bureau of Health Services is particularly important to the most vulnerable members of our community and is the largest component of the safety net of medical services.
4. The Bureau of Health Services has historically delivered on its mission with a scope of services that has greatly strengthened the safety net of its most vulnerable residents.
5. The historic accomplishments of the Bureau of Health Services, the President of the County Board and the Board of Commissioners are impressive and include the building of the John H. Stroger, Jr. Hospital of Cook County, the creation of the

Ambulatory and Community Health Network, the opening of Provident Hospital of Cook County, and the creation of the Ruth M. Rothstein CORE Center. These and other accomplishments compare favorably to nearly any other public health system in the nation.

6. The Review Committee believes that the crisis is a real one that must be addressed urgently. There has been a significant investment in building the current Bureau of Health Services over the past 10-15 years. It is clear to the Committee that this system is now at great risk. Further, the rapidity and degree of expense reductions coupled with the uncertainty of future funding has contributed to a serious physician and other key employee retention problem and has depressed morale throughout the Bureau of Health Services.
7. Management reporting capabilities, such as monthly financial statements and revenue and expense benchmark data, as well as business practices typical of hospitals and health systems do not exist at the Bureau or are only now being developed. Without these basic management reports and analysis capabilities, financial restructuring and an assessment of that restructuring is seriously flawed and fraught with risk. Because of this, further significant expense reductions should not be undertaken until these capabilities are available.
8. The revenue cycle and the procurement processes function poorly and, therefore, represent financial opportunities for the Bureau.
9. The capital expenditure allotment for fiscal years 2006 and 2007 are at an inadequate level to sustain the scope and level of services provided. Further, Bureau of Health Services management and leadership do not appear to be involved in the ultimate capital funding decisions.
10. The current crisis has not been accompanied by a careful, cooperative long term financial and strategic planning process by the Board of Commissioners, the President, and Bureau of Health Services management.

11. A number of interviewees noted the inherent conflict that Board of Commissioner members have between their responsibilities to the Bureau of Health Services and their voting constituency and stated that the effect has been to slow down the pace of needed change or delay the identification of creative solutions.
12. The Bureau Chief needs to be granted the delegated authority to manage a diverse and complex enterprise similar to any other health system Chief Executive Officer. Currently, the Bureau Chief has much more limited authority than would be expected in the position. This includes the areas of hiring and firing, procurement, signature authority, selection of consultants and other vendors, and other necessary day-to-day operating activities. This limitation is particularly problematic in an urgent turnaround situation.
13. A particularly important example of a structural problem in governance is the Human Resources process for the Bureau of Health Services. The responsibility of hiring and firing, does not reside with the Bureau Chief. This results in unclear lines of authority and confusion concerning the selection of employees and vendors. It also results in long and unnecessary delays. The process has been further tainted by allegations that some decisions have been enacted by political concerns that are contrary to the best interests of the mission of the Bureau of Health Services.

Recommendations

1. Because the Bureau of Health Services is so important to our community, any crisis that significantly affects the quantity or quality of services provided will have a broad and negative impact on citizens, businesses, health care organizations, and others and, therefore, should be addressed by the community-at-large working in partnership with County leadership.
2. Management's response to the Joint Commission conditional accreditation survey must be a high priority. Successfully addressing the identified "requirements for improvements" will require effective leadership and involvement from a large number of individuals at Stroger Hospital.
3. Morale issues must be addressed immediately. Planning, including the role of the Board, should be as transparent as possible. Communications efforts should be increased. As an immediate measure, the Board should consider providing physicians with employment contracts, which is a standard practice in the industry for hospital-based physician employees.
4. Further significant expense reductions should not be undertaken until there is a greater ability to assess the upstream and downstream patient care and revenue impacts of any change.
5. A high priority for management must be to develop monthly financial reports including revenue and expense benchmarks.
6. Revenue cycle improvement must also be a high priority. In the opinion of the Review Committee, this will most quickly and efficiently be accompanied by outsourcing to a company with a strong national reputation. This action will require a significant investment and will likely take the two years to fully realize the benefit of the changes. Delays in this investment will only delay the full realization of this necessary revenue source.

7. A procurement and supply chain assessment for additional non-labor savings should be undertaken as soon as feasible.
8. The estimated revenue opportunities combined with additional expense reductions are not likely to be sufficient to close the estimated financial gaps. Additionally, funds will be needed to address future capital needs and one-time costs of consulting and technology to improve poorly functioning revenue generating systems. Therefore, the Review Committee believes an additional revenue source (County, State, Federal, or other) will be needed to preserve the key elements of the Bureau of Health Services, at least over the next 2 -3 years.
9. The Review Committee has not concluded that additional external revenues will be needed beyond the next 2-3 years, although it is likely. Despite the reduction of intergovernmental transfer (IGT) dollars from FY 05 to FY 07, overall, the Bureau of Health Services currently has more overall support from the total of IGT and taxes than it had in FY 00 and levels are flat from FY04. However, the annual average rate of inflation in medical expenses has been in excess of the growth in this support, particularly in recent years where levels were flat and then declining. There has also been an increase in the need for Bureau services in our population. If no other sources can be identified, the mission and scope of services will need to be fundamentally revisited with the corresponding negative community impacts factored into any reduction or curtailment of services.
10. County leadership should continue to reach out to State and Federal leadership and seek the support of community leaders to address these critical issues.
11. The Bureau Chief needs to be granted the authority and latitude to hire and fire, bring in consultants and vendors, and make other strategic and operational changes quickly which are in the best interests of the Bureau of Health Services. The current oversight approval processes need to be streamlined to allow for this delegation of responsibility while still adhering to appropriate legal and compliance review.

12. The Review Committee recognizes that for many members of management and governance, the current crisis is an inherited one. To fully evaluate and address the critical questions facing the Bureau of Health Services, the President and the Board of Commissioners must explore new ways of collecting data and providing oversight. New oversight mechanisms might include utilizing the Health and Hospital Committee differently, receiving input from an advisory group of health care and business volunteers, or other more innovative approaches.

However, the Review Committee believes that the best chance of successfully addressing this crisis would be to create an independent Board of Trustees to provide oversight and governance as has been done (via different structures) for a number of other public hospitals. We believe their first priorities should be the following:

- a. Provide an overall expense assessment. This will likely require the use of external consultants. A “no exceptions” review will also serve to improve credibility. This must include the creation of appropriate monthly financial reports, a clear assessment of the financial IT implementation project, and an assessment of other potential risks including malpractice and pension funding.
- b. Initiate the revenue cycle improvement project. Again, this will likely require the assistance of an external expert consultant and/or vendor.
- c. Initiate procurement and supply chain review process.
- d. Significantly streamline the decision making bureaucracy.
- e. Assess the management team’s skills and gaps and address them as needed.
- f. Appropriately empower the Bureau Chief.
- g. Assess the organization’s readiness to respond to the Joint Commission findings.
- h. Set an example of “best practices” of governance and communication.

The Report of the Cook County Bureau of Health Services Review Committee

Overview and Scope of Cook County Bureau of Health Services²

The Cook County Bureau of Health Services (CCBH) is the largest provider of health care to uninsured, underinsured and Public Aid patients in the State of Illinois. It is the 3rd largest public hospital system in the country and has the largest jail health system in the nation. The CCBH includes three hospitals (Stroger with 464 beds, Provident staffed for 113 beds and Oak Forest with 70 acute care beds and 20 rehab beds), the jail health system (Cermak), an Ambulatory Clinic network, the Cook County Department of Public Health and the Ruth M. Rothstein CORE Center. The ambulatory and community health network provides approximately 1 million visits yearly and the Ruth M. Rothstein CORE Center follows approximately 5,000 people with HIV/AIDS. This represents over 30% of all known HIV patients in Chicago and over 20% of all known HIV patients in the state. The health system includes two of the states' largest trauma center/emergency departments with the Stroger Level I trauma unit seeing 40% of the trauma in this region; a biopreparedness 'center of excellence' for the city of Chicago; and one of only 6 burn centers in the state.³ The CCBH also plays a critical role in the training of the next generation of health care providers and is the largest non-university site for training medical students and residents (house staff) in the nation. The CCBH is also the largest provider of evaluations of abused and neglected children in the state and the second largest children's advocacy center in the country. Stroger Hospital is one of 10 perinatal centers in the state. The Bureau's cancer services, hypertensive clinic, and endocrine services are the largest, or are among the largest, in the state.

Quality of Cook County Bureau of Health Services

While a comprehensive assessment of quality is beyond the scope of the Review Committee, some high level observations can be made. For example:

² Data on volumes from Cook County Bureau of Health Services

³ <http://www.burnsurvivor.com/burnunitsbystate/illinois.html>

- In cancer, the 5 year survival rates of Stroger Hospital patients with stage II breast, colon or lung cancers compares favorably to national survival figures.
- Operative mortality in cardiac surgery is at or better than national benchmark figures,⁴ despite a particularly at-risk population.
- The Children’s Advocacy Center has a recidivism rate (re-abuse or repeat neglect rate) of 1.9% compared to national figures of 7-20%.
- Compared to a group of 600 neonatal intensive care units, Stroger NICU infant survival rates are above the median, despite the fact that infants in the Stroger unit tend to be at greater risk given their comparatively lower birth weights.
- Outcomes at the CORE Center are outstanding, including maintenance of appropriate therapy in a vulnerable population as documented by low HIV viral loads, patient survival; successful treatment of pregnant women resulting in no infected children of over 200 births; and the maintenance of an effective continuity clinic between CORE and the Cermak jail which provides patients uninterrupted care during their incarceration and a smooth transition in their care as they leave the jail.
- Survival rates in the Stroger Trauma Center are among the best in the nation.
- The sexually transmitted disease screening program in the Cermak Jail has identified 25% of the reported cases of syphilis in Chicago and similar percentage of other sexually transmitted diseases, playing a major public health role for this region.

There are many other similar examples of excellent quality throughout this system. All of this is accomplished in a public health system that cares for patients at greatest risk, often with multiple medical problems and the many additional challenges this population disproportionately faces. This is also done with a patient population that requires immediate access to interpretive services in Spanish, Chinese and Polish languages, reflecting the diversity of Chicago.

Importantly, for several years prior to this fiscal year, financial resources have been reduced, particularly compared to the rate of inflation of medical materials costs and the

⁴ Society of Thoracic Surgeons

County's population growth. This, coupled with the more severe reductions in the current fiscal year, threatens the programs highlighted above as well as other important services. The chronic scheduling and capacity challenges have also caused significant delays with mammography, colonoscopy and other important services provided through the Cook County Bureau of Health Services. These are critically important services and must be addressed as part of the corrective action plan.

The recent Joint Commission survey findings of 16 "requirements for improvement" (RFI's) and the conditional accreditation status have garnered much negative press. Joint Commission results are important, and must be addressed, but many fine hospitals in the nation have had periods of conditional accreditation status, including some the nation's most prestigious institutions. Joint Commission survey reports provide an important component, but do not provide the complete picture of quality of a hospital or health system.

Conclusions

1. The Cook County Bureau of Health Services plays a major role in the health of this region.
2. Overall, the Bureau of Health Services provides high quality health care.
3. The Cook County Bureau of Health Services is particularly important to the most vulnerable members of our community. It is the largest and most important component of the safety net of medical services for our region.
4. The Bureau of Health Services has historically delivered on its mission with a scope of services that has greatly strengthened the safety net.

Recommendations

1. The Cook County Bureau of Health Services is a key health resource for our community and a point of pride. Any crisis that significantly affects the quantity or quality of services it can provide will have a broad and negative impact on

individuals, businesses, health care organizations and others, and, therefore, should be addressed by the community at large working in partnership with County leadership.

2. Management's response to the Joint Commission findings must be a high priority. Successfully addressing the identified issues will require effective leadership and a significant effort from a large number of individuals at Stroger Hospital.
3. Key preventive and screening services, such as mammography and colonoscopy must be strengthened.

Current Crisis

Background and Observations

Since 2002, the Bureau of Health Services has had significant financial shortfalls. These have been attributed to changes in federal funding through the intergovernmental transfer (IGT) program, an increase in the number of uninsured, an increase in the costs of providing medical care, and additional revenue shortfalls attributed to failed attempts at improving the billing process. We have been told that there are few options to fund any shortfalls outside of working capital, borrowing money, new arrangements with the state or federal government on funding, or additional County taxes.

This fiscal year, newly elected President Todd Stroger directed management to reduce expenses by 17%. The new hospital management team was given this assignment in January of 2007, already one month into the new fiscal year. Although they did not quite meet this target, an almost unprecedented reduction in expenses was attempted in a very short amount of time. Management readily acknowledges that, due to the severity of the financial crisis, there was limited time to perform a full assessment on the impact each of these cuts might have. Of particular importance, new leadership in Finance for the Bureau of Health Services also acknowledged that tools were not in place to assess the revenue impact of these changes. Several in County leadership credit the Bureau Chief with making difficult decisions that affect many groups previously perceived as "sacred

cows”⁵ which, they believe, sends an appropriate message concerning the seriousness of the crisis and the County’s response to it.

Conclusions

1. Based on the written material reviewed as well as interviews of financial officers, the Bureau Chief, a number of County Commissioners, the President of the County Board and his chief of staff, and others, the Review Committee believes the financial crisis is a real one that must be addressed urgently.
2. The Bureau of Health Services has invested many years and millions of dollars in building a responsive population-based health care system whose core components must be preserved. It is clear to the Review Committee that this system is now at risk.
3. The degree and rapidity of the expense reductions coupled with the uncertainty concerning future funding has caused a significant retention and morale problem at the Bureau of Health Services. This has led to a number of valued employees and physicians either quitting or considering employment elsewhere.

Recommendations

1. The Bureau of Health Services has undertaken an almost unprecedented reduction in expenses in a very short period of time with very limited data to assess the full impact of these changes. However, the effect of the service cuts, layoffs, and future funding uncertainty has led to confusion and for some, loss of continuity of care among its patient base and has had a dramatic and negative impact on retention and morale within the Bureau of Health Services. This must be addressed as soon as possible, or the quality the Bureau is known for and its long term stability will be jeopardized.
2. Further significant expense reductions should not be undertaken until there is a greater ability to assess the full clinical and revenue impact of any changes. Services reductions, as part of an expense reduction, may be associated with a larger loss of revenue (or potential revenue once the billing processes are corrected). Currently,

⁵ Interviews with Cook County Commissioners

management is unable to provide this kind of analysis. In the judgment of the Review Committee, a rebuilding process (should further cuts lead to further deterioration of services and cause valued staff to depart) will likely take much longer and require a greater investment of tax revenues or other dollars rather than stabilizing and preserving the existing core components. Even more importantly, if further severe reductions are necessary, they should be delayed until other providers can be contacted concerning their ability to provide some or all of this care.

3. Morale issues should be addressed immediately. Expanded communication with medical staff members, employees, and union members and leadership will be important. These groups have been critical to creating the quality in the Bureau and in maintaining it during this difficult time. As an example, the Review Committee believes that medical staff members should have annual contracts for services, which are standard for employed physicians in the industry.

Finance

Background

The Finance Subcommittee of this Review Committee has reviewed three binders of information prepared by the staff of the Cook County Bureau of Health Services. Additional information was requested from Bureau of Health Services Chief Operating Officer Tom Glaser, Bureau of Health Services Chief Financial Officer John Cookinham, Chief Financial Officer for Cook County Donna Dunnings and Comptroller for Cook County Joseph Fratto after Subcommittee discussions. These materials include benchmarking data, historical funding sources, assessment of budget variances with the current year, and consultant reports. These have been received and reviewed (see Appendix A). The Bureau Chief, in his assessment, noted that historical problems included: 1) the lack of centralized management to insure that all business units operate consistently; 2) the need to improve all aspects of the revenue cycle; 3) the need to provide more financial information to management; 4) the need to put more financial

controls in place; and 5) the need to improve communications with other governmental bodies to address the financial needs of the County.⁶

Observations

1. The Review Committee, during its evaluation process, observed many of the shortcomings noted above by the Bureau Chief. Management reporting capabilities and business practices typical of hospitals and health systems do not exist at the Bureau of Health Services or are only now being developed. Typical monthly and quarterly financial statements are not produced; therefore real-time financial information on which management can make decisions is lacking. The Review Committee experienced difficulty assessing much of the financial information provided as data points differ among the various schedules produced. The Review Committee requested information on basic operating statistics and common metrics that are used for industry benchmarking but management could either not produce this data or attempted to do so with estimates that produced unreliable results. Without these basic management reporting capabilities, financial restructuring and an assessment of that restructuring is seriously flawed. Because of this, additional significant changes should not be undertaken until this type of data and analyses are available.
2. Despite multiple discussions with management, Board members and the President, the Review Committee has had difficulty in receiving a consensus on the magnitude of the current funding gap. However, based on these discussions and materials received, we estimate the current gap for FY 07 to include:
 - the June 2007 projected year-end revenue short-fall of \$46M +⁷
 - the projected year-end expense overrun of \$23M⁸

⁶ Communication to the Review Committee from Interim Bureau Chief Robert Simon, MD, May 8, 2007

⁷ Correspondence to Cook County Bureau of Health Services Review Committee from the Bureau Chief dated June 25, 2007). Variance expected by the end of FY2007. Updated in September 2007.

⁸ Correspondence to Cook County Bureau of Health Services Review Committee from the Bureau Chief dated June 25, 2007). Variance expected by the end of FY2007.

This leads to a projected loss for FY 07 of approximately \$69M (see Appendix C). To this total, one would have to add an additional amount for capital expenditures (see Item 6 below) and any one time costs of investments for consultants and/or technology to improve revenue cycle and other areas. Of note, because insurance costs including malpractice have historically been funded by the County outside of the Bureau of Health Services budget, these annual figures are not included in these estimates. Given this budgeting practice, the Committee believes the year-to-year changes in financial performance are most clearly viewed with the malpractice figure removed. Similarly, pension and depreciation figures are not consistently included in Bureau of Health Services figures. For a more consistent external benchmarking view, these operating expenses would be included.

3. Financial losses in the Bureau of Health Services are not new. Between 2002 and 2005, overall negative shortfalls totaled over \$158 Million (see Figure 1). Contributing factors, in addition to the issues covered in this report, include an increase in the number of uninsured, reduced governmental reimbursements, increased costs of medical care, and other factors causing rising health care costs nationwide. Of note, prior to that period, the Bureau did not report such significant losses.

Figure 1: Historical Audited Financial Results Combined Totals



BUREAU OF HEALTH SERVICES

**Historical Audited Financial Results Combined Totals
For Fiscal Years 2002 – 2005**

	Combined Totals
Total Operating Revenues	\$2,216,627,509
Total Operating Expenses	<u>\$3,578,475,064</u>
Net Operating Loss	(\$1,361,847,555)
Total Non-Operating Revenues	<u>\$1,004,605,425</u>
Net Loss	(\$357,242,130)
Other Transfers	(\$198,936,342)
Decrease In Net Assets	<u>(\$158,305,788)</u>

Source: Presentation to the Review Committee, Bureau of Health Services, Financial Restructuring Strategy, May 15, 2007

- While there are obvious problems in the revenue cycle processes (billing and collections) in the Bureau of Health Services, the single largest decrease in source of funding has been the federal Intergovernmental Transfer (IGT) dollars. This source of funding has decreased by \$108 million since its highest point in 2005 to 2007 and is projected to continue to decline by another \$4 million on an annual basis between 2007 and 2009 (See Table 1). Representing 29% of projected patient service revenue in 2007 (down from 42% in 2005), this has been a vital source of funding for the Bureau of Health Services. This funding loss would have been larger if not for federal legislation enacted in 2000 which created a special fund that only Illinois and Cook County qualify for; currently the State and Cook County receive a total of \$375 million a year from this special fund. The split of these monies between the State and the County is currently under discussion and is being contested by the County.

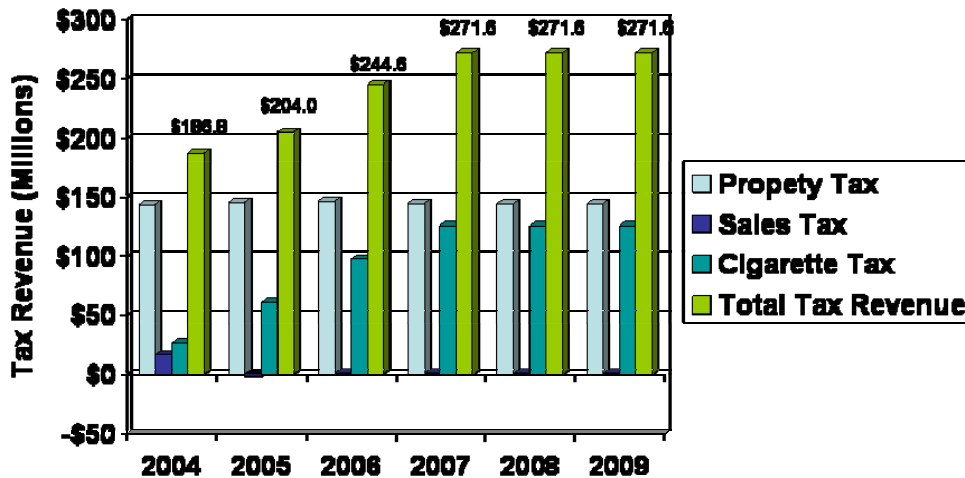
Table 1: Total of IGT + Tax Revenue for the Bureau of Health Services: 2000 - 2007

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
IGT(\$M)	\$ 112	\$ 102	\$ 102	\$ 190	\$ 244	\$ 259	\$ 183	\$ 151
All Taxes (\$M)	\$ 242	\$ 236	\$ 226	\$ 189	\$ 185	\$ 204	\$ 245	\$ 271
TOTAL(\$M)	\$ 354	\$ 338	\$ 328	\$ 379	\$ 429	\$ 463	\$ 428	\$ 422

Source: Cook County Chief Financial Officer and Comptroller

This decline has been offset by a \$66 million increase in Cook County funding from the cigarette tax (see Figure 2). The difference has resulted in an overall decline in funding of \$42 million on an annual basis from 2005 to 2007 that is projected to worsen.

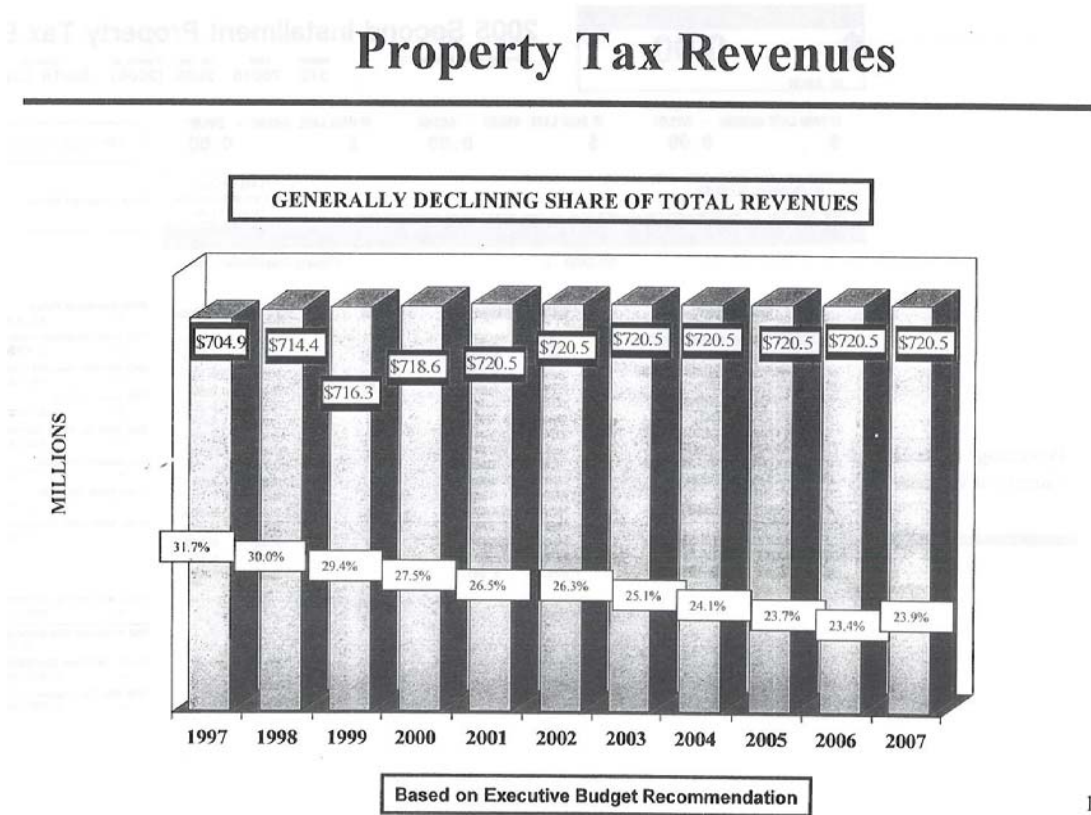
Figure 2: Non-Operating Revenue, Bureau of Health Services: 2004 – 2009



Source: Cook County Bureau of Health Services Summary.

Of note, overall County property tax revenue has not increased substantially from 1997 – 2007. Over this period, the property tax represents a declining percentage of total revenues for the County (see Figure 3).

Figure 3: Property Tax Revenues



10

Source: Cook County, IL FY2007 Executive Budget Briefing, Prepared by Bureau of Finance

Through the evaluation of previous task force reports and discussions with Bureau of Health Services staff, it is apparent that revenue cycle processes (coding, registration, billing and collections) must be reviewed and restructured. It is virtually impossible to remedy the situation with internal Bureau resources. Outside assistance will speed up the process and ensure that appropriate expertise is focused on this issue allowing Bureau staff the time to deal with other pressing issues concurrently. This will require significant upfront investment; thus it is essential that a firm with a national reputation and proven track record be engaged and with appropriate oversight at the Bureau of Health Services and Board of Commissioner's level.

An outside consultant assessment recently performed a high level assessment and has identified an opportunity in the range of \$110 million to \$160 million over a five

year period.⁹ Mostly likely, a portion of this opportunity represents “catching up” on past problems and will not result in a recurring sources of funding. As such, it is unlikely that the improvements from revenue cycle operations will cover the financial shortfall. It will also take several years to realize the full value of any revenue cycle opportunity and will require continuous management reporting and oversight to ensure that improvements are maintained.

5. A financial summary provided to the Review Committee combines historical costs obtained directly from the audited financial statements (salaries, employee benefits, contractual services, supplies and materials, utilities and contributed services) and estimated amounts (depreciation, insurance and interest) to attempt to accumulate the types of expenses that could be compared to other hospitals and health systems. However, this comparison could not be made due to the lack of operating statistics and management reports noted above. It is essential that Bureau of Health Services costs be validated against external industry benchmarks to determine whether or not there are further opportunities for efficiency. One-time investments, such as consulting fees for revenue cycle enhancements, should be excluded from this analysis.
6. Capital expenditures per the audited financial statements were \$19.1 million in 2006 and \$11.5 million in 2005. This amount of spending is inadequate to maintain the level of services currently being provided at the Bureau. Any future funding plan for the Bureau of Health Services needs to include a source of funding for adequate capital. For a system the size of the Bureau of Health Services, the Review Committee estimates that the annual capital amount should easily exceed \$30-50 million. This estimate would need to be refined by a comparison to an assessment of delayed capital, depreciation, and other factors.

⁹Stockamp Proposal Letter, Dated June 11, 2007

7. Of note, on a “subsidy per capita” basis, Cook County appears to be lower than many public hospital systems (See Table 2). This table shows that at \$43 per capita Cook County is below the median of \$79 per capita for the systems/hospitals shown.

Table 2: Comparison of Local Tax Dollar Subsidy of Health Care Services

<u>Hospital</u>	<u>County</u>	<u>2003</u> <u>Population</u>	<u>Below</u> <u>100%</u> <u>FPL*</u>	<u>Below</u> <u>200%</u> <u>FPL*</u>	<u>2003</u> <u>State/Local</u> <u>Subsidies</u> <u>Hospital **</u>	<u>Subsidy</u> <u>per</u> <u>capita</u>	<u>Subsidy</u> <u>per</u> <u>person</u> <u><100%</u> <u>FPL</u>	<u>Subsidy</u> <u>per</u> <u>person</u> <u><200%</u> <u>FPL</u>
Parkland	Dallas	2,241,032	366,554	878,039	\$321,387,200	\$143	\$877	\$366
Grady	Fulton	787,576	124,616	253,216	\$103,269,315	\$131	\$829	\$408
Jackson Memorial	Miami Dade	2,283,925	419,750	962,390	\$246,271,747	\$108	\$587	\$256
Harris County	Harris	3,542,942	540,808	1,334,372	\$334,732,000	\$94	\$619	\$251
Total/Median		25,131,783	3,914,437	9,294,951	\$1,500,946,040	\$79	\$532	\$222
Wishard	Marton	841,276	112,772	278,693	\$53,878,681	\$64	\$478	\$193
Denver Health	Denver	541,494	68,072	176,942	\$26,900,000	\$50	\$395	\$152
Cook County ***	Cook	5,240,918	697,812	1,662,932	\$227,412,121	\$43	\$326	\$137
LA County USC****	Los Angeles	9,652,638	1,584,053	3,748,367	\$187,094,976	\$19	\$118	\$50

* Source: US Census Bureau, 2003 American Community Survey

** Source: NAPH 2003 Annual Member Survey

***Includes Stroger, Oak Forest and Provident hospitals

****Includes only the LA County Hospital, not the rest of the system

Note: Many states (including Texas) have not maximized their federal share of Medicaid dollars; thus, local communities subsidize low Medicaid reimbursement rates. FPL, federal poverty level.

Source: Weiss, Kevin B., Protecting the Legacy of Caring for Vulnerable Populations: Essential Priorities for the Cook County Health Care System, July 2006

8. In comparing sources of revenue for the Bureau the above figures document a significant IGT reduction from 2005 to 2007. While that suggests the solution might be to increase County taxes or seek long term federal support, it is also important to

note that from 2002 to 2007 the total of “IGT plus Tax revenue” has actually increased (see Table 1).

Despite the loss of intergovernmental transfer (IGT) dollars from FY 05 to FY 07, overall, the Bureau of Health Services currently has more overall support from the total of IGT and taxes than it had in FY 00 and levels are flat from FY04. However, the annual average rate of inflation in medical expenses, 4.2%¹⁰, has been in excess of the growth in this support, particularly in recent years where levels were flat and then declining. There has also been an increase in the need for Bureau services in our population.

Recommendations

1. The highest priority for leadership is to clarify the financial shortfall and communicate its components clearly throughout Bureau and County leadership. The Review Committee did not receive consistent figures from interviewees. All parties agreed that there was a financial crisis, but there was little agreement on its size, why it has occurred, and what could or should be done to correct it.
2. Once clear on the size of the financial gap, a long term financial plan needs to be put in place. This must include a careful assessment of all expense reduction opportunities and plans to meet performance expectations on revenue realization similar to other public hospitals nationwide. Only after these are fully explored, could a solid case for long-term additional support be made.
3. Separate from long-term solutions, a short term infusion of funds will be necessary to realize opportunities identified through the above process. Some of these areas are outlined below.
4. A high priority for management must be to develop reliable monthly financial reports including revenue and expense benchmarks.

¹⁰ U.S. Department of Labor, Bureau of Labor Statistics. US City Average, Medical Care Consumer Price Index, Annual Percent Change, Average of 2003 – 2006.

5. Management requires an infusion of funds to support revenue cycle improvement. In the Review Committee's experience, this should be outsourced to a company with a strong national reputation. The County can expect it to take up to two years to realize the full benefit of this investment. Delays in this investment will only delay the full realization of this revenue source.
6. Management should also assess the supply chain and procurement processes and costs for additional savings opportunities. Like the revenue cycle opportunity, it will require an investment to obtain any yield and requires outside expertise.
7. Management has requested additional emergency funds for operational improvements such as investment in Finance, IT personnel, and infrastructure and to address urgent clinical needs.¹¹ While the Review Committee agrees that these are each important areas that will likely require additional investments, the Review Committee cannot make a judgment in these areas with the limited information available to us. We are particularly hampered by the lack of comparable expense data as noted above. These requests should be included in the Bureau Chief's request for funding from the Board and other sources and be a top assessment priority in the coming weeks.
8. Most importantly, the estimated revenue opportunity combined with any likely additional expense opportunity will not, in the opinion of the Review Committee, close the financial gap. If the estimated revenue opportunity is \$15 – 20 million per year, there is at least a remaining \$40-50 million per-year gap which we believe cannot be closed by further expense reductions. This is particularly true for the next two years, when one- time investments in revenue cycle and other components will be necessary.

In addition, capital needs and national health care cost trends will need to be addressed in future budgets. The Review Committee believes an additional revenue source, from the County, State, Federal government and/or other source will likely be

¹¹ Correspondence to Cook County Bureau of Health Review Committee from the Bureau Chief dated June 25, 2007)

needed, at least for the next few years, to preserve the key elements of the Bureau of Health Services.

9. If other funding sources cannot be identified, the types of health services and the utilization of services must be assessed in light of available resources. In that unfortunate circumstance, management and the Board of Commissioners should reassess the mission and scope of services as a high priority to coordinate additional service reductions consistent with a re-stated mission and vision and in coordination, where possible, with other community partners who may be able to mitigate some of these reductions.
10. County leadership should continue to reach out to State and Federal leadership and seek the support of community leaders to address these critical issues.

Governance

Background and Observations

Management, the Board of Commissioners, and the President have had a number of important successes and accomplishments in the last 10-15 years. These include, but are not limited to:

1. The building of a new public hospital, the John H. Stroger, Jr. Hospital of Cook County.
2. The creation of a Bureau of Health Services which has made significant progress in coordination of activities across its components.
3. The creation of the Ambulatory Health Care Network, bringing preventive and maintenance care to people in the community where they live.
4. The creation of the public/private partnership with Rush University Medical Center which led to the building of the Ruth M. Rothstein CORE Center.

Conclusions

These accomplishments rival those of any other public hospital or health system in the nation and have brought real value to our community.

Despite these and other accomplishments, the Review Committee has concerns about the governance and oversight of the Bureau of Health Services, particularly at this critical time. These include:

1. The current governance and oversight process is not adequate to address this crisis. There is little agreement on the size of the financial gap or what steps should be taken to address it. There is a complete lack of long term financial or strategic planning. Although interviewees offered differing opinions on why the current structure was not working well, most agreed it was not and expressed frustration with the current process. The Committee is not questioning the interest or commitment of individuals in leadership, but has concluded that despite the hard work of many individuals, the process is not working.
2. The Review Committee notes that the governance structure of the Cook County Bureau of Health Services is unusual when compared to other public hospitals nationwide. Except for the state of California, most systems have migrated to substantially different structures, often in response to a crisis in the public health care system (see Appendix D for “Continuum of Public Hospital Governance”). For example, such changes are now currently being considered at Georgia’s Grady Memorial Hospital, one of the nation’s oldest public hospitals.¹² After seven years of financial losses there, the Metro Atlanta Chamber of Commerce has recommended that the County Board hand over control of the hospital to a non-political, non-profit corporation.¹³ Elsewhere, such changes have typically taken two or more years to complete, even when the parties agree a change is needed.¹⁴ Methods of governance

¹² *Impasse leaves Grady in crisis*, from the Atlantic Journal Constitution, August 7, 2007

¹³ *Ibid.*

¹⁴ Personal communication, Larry Gage, President of the National Association of Public Hospitals

changes and details on specific examples have been supplied to the Cook County and Bureau of Health Services leadership. The Review Committee believes that the current crisis must be addressed immediately and cannot wait years for a review of alternative governance structures.

3. Interviewees and others have noted that the members of the Board of Commissioners have an inherent conflict between their responsibility to the Bureau of Health Services and their responsibility to their political constituencies. This responsibility is highlighted in a publication from the National Association of Public Hospitals as follows:

“Most importantly, the duty of loyalty requires that every board decision be made in the best interests of the health system and its mission, rather than in the interests of individuals or external constituencies.”¹⁵

While many conflicts can be discussed openly and managed, interviewees acknowledge that this issue has been a significant challenge to decision making. Of note, a minority of other interviewees believe this system has worked well and can continue to work.

4. The Board of Commissioners has not been involved with management in a long term financial and strategic planning process and many of the individuals involved in the governance process expressed frustration with this lack of coordination. For example, it was known several years ago that federal funding from the inter-governmental transfer (IGT) would be reduced and the number of uninsured in the County system would be rising, but the Review Committee was not provided with evidence of a long term financial plan to address these shortfalls or any assessment of the impact on clinical services these issues might have. It appears that most of the remainder of the shortfall was to be made up from enhanced revenue projections at the hospitals that were never realized.

¹⁵ “Legal Structure and Governance of Public Hospitals and Health Systems.” Larry Gage, Anne Camper, and Robert Falk for the National Association of Public Hospitals, 2006.

5. It is unclear to the Review Committee how decisions are made concerning the budget for capital equipment compared to the amount requested by management. This is particularly important given the unusually low amount approved (\$11.58M in 2005 and \$19.1M in 2006) for the entire Bureau of Health Services.
6. The Human Resources processes for the Bureau of Health Services, particularly as it pertains to the hiring and firing functions, is not controlled by the Bureau Chief. This results in unclear lines of authority within the Bureau of Health Services and confusion concerning the process of selection of individuals and vendors. It also results in unnecessary delays. Further, the process is tainted by allegations that some decisions have been affected by political and other concerns that are not clearly related to the best interests of the mission of the Bureau of Health Services.
7. The Procurement process is hampered or limited by the requirement for Board involvement and authorization for purchases greater than \$10,000 (which has recently been increased to approximately \$25,000) and the many steps of approval that are required. This restriction is an onerous requirement for the Bureau Chief to effectively manage a rapidly changing billion dollar environment, particularly where many routine purchases will exceed this amount.
8. The Bureau Chief has less authority than would be expected in a comparable CEO position. Even items approved in the budget require a second, and sometimes a third or a fourth, approval by the Board of Commissioners or President. Items scheduled for Board presentation may be bumped from the schedule without explanation, further impacting the pace of change.

Recommendations

1. The Review Committee calls on President Stroger and the County Board to recognize this crisis and respond to it urgently and vigorously. We believe this response will require significant modifications to the County's normal governance practices. The Review Committee recognizes that for many current members of management and governance, the crisis is an inherited one.

However, the Review Committee believes that the best chance of successfully addressing this crisis would be to create an independent Board of Trustees to provide oversight and governance as has been done (via different structures) for other public hospitals nationwide. We believe their first priorities should be the following:

- a. Provide an overall assessment of expense opportunity assessment. This will likely require the use of external consultants. A “no exceptions” review will also serve to improve credibility. This must include the creation of appropriate monthly financial reports, a clear assessment of the IT implementation project, and an assessment of other potential risks including malpractice and pension funding.
- b. Initiate the revenue cycle improvement project. Again, this will likely require the assistance of an external expert consultant and/or vendor.
- c. Initiate procurement and supply chain review process.
- d. Significantly streamline the decision making bureaucracy.
- e. Assess the management team’s skills and gaps and address them as needed.
- f. Appropriately empower the Bureau Chief.
- g. Assess the organization’s readiness to respond to the Joint Commission findings.
- h. Set an example of “best practices” of governance and communication.

Conclusion

The Review Committee appreciates the opportunity to assist in addressing a very complex set of issues. Each of us has learned a great deal during our review and has developed an even greater appreciation for the Bureau of Health Services and the many dedicated practitioners that serve its patients.

We cannot underscore enough the negative impact a further weakened Bureau of Health Services would have on the health of our community.

Appendix A: List of Documents Reviewed by Review Committee

May 31, 2007 Distribution

- I. Weiss, Kevin B. Protecting the Legacy of Caring for Vulnerable Populations: Essential Priorities for the Cook County Health Care System, July 2006
- II. Cook County 2006 Transition Team Final Report, Health and Hospitals Committee
- III. Report to President Todd H. Stroger from Transition Team, Health Care Committee, March 2007
- IV. America's Health Care Safety Net: Intact but Endangered, Executive Summary Marion Ein Lewin and Stuart Altman, Editors; Committee on the Changing Market, Managed Care, and the Future Viability of Safety Net Providers, Institute of Medicine, 2000
- V. Legal Structure and Governance of Public Hospitals and Health Systems, August 2006; National Association of Public Hospitals and Health Systems; Larry S. Gage, Anne B. Camper, Robert Falk

June 12, 2007 Distribution

- I. Cook County Bureau of Health Services' Organizational Structure
- II. Joint Conference Meeting Minutes
- III. Stroger Hospital Response to The Joint Commission
- IV. Board of Commissioners of Cook County Committee List (2006 – 2010)
- V. Stroger Hospital Rules and Regulations Governing Employee Conduct and Hiring Process
- VI. Resumes and Job Descriptions
 - A. Ambulatory and Community Health Network of Cook County
 - B. Cook County Department of Public Health
 - C. CORE Center
 - D. Cermak Health Services of Cook County
 - E. Oak Forest Hospital of Cook County
 - F. Provident Hospital of Cook County
 - G. John H. Stroger, Jr. Hospital of Cook County
- VII. National Association of Public Hospitals (NAPH) Summary Sheet
- VIII. Replies to questions received from the Blue Ribbon Committee, June 6, 2007
- IX. Moody's Investors Service Global Credit Research, February 7, 2006
- X. Standard and Poor's Ratings Direct Report, November 29, 2006
- XI. Cook County, Illinois FY 2006 Executive Budget Briefing
- XII. Cook County, Illinois FY 2007 Executive Budget Briefing
- XIII. Cook County Health Facilities Fund of Illinois Financial Statement, year ended November 30, 2006, DRAFT
- XIV. John Cookinham's Email of 6/11/07, 5:23 pm
 - A. Two attachments from the Federal Register on Intergovernmental Transfers (IGTs)

- XV. John Cookinham's Email of 6/11/07, 12:22 pm
- A. 2-page Memo on Payer Mix
 - B. Stroger/Oak Forest/Provident Hospital Spread Sheets for this Fiscal Year

June 27, 2007 Distribution

- I. Presentation the Cook County Board, Dr. Robert Simon
- II. Letter submitted to the Review Committee dated June 25, 2007 from Dr. Simon
- III. Email and data sheets on volume received June 27, 2007 from John Cookinham

July 19, 2007 Email Distribution

- I. Stockamp Proposal Letter, Dated June 11, 2007
- II. Cook County Bureau of Health Services Summary
- III. FY07 Requested and Approved Capital Equipment Summary Schedule

August 1, 2007 Distribution

- I. Memo from John Cookinham: Additional estimates of cost and revenue for ACHN

August 9, 2007 Distribution

- I. Schneider, Craig. "Impasse leaves Grady in crisis." Atlanta Journal-Constitution. August 7, 2007.

August 15, 2007 Distribution

- I. Stroger Hospital Medical Staff Survey Summary
- II. Dr. Schabowski's Memo, Interview, August 15, 2007

August 24, 2007 Distribution

- I. Continuum of Public Hospital Governance, Submitted by Larry Gage
- II. Cook County Health Facilities Fund of Illinois Financial Statement, Year ended November 30, 2006, Finalized; Received from Mr. Glaser, August 21, 2007.

September 17, 2007

- I. Updated materials on year-end projected performance from Donna Dunnings, Chief Financial Officer for Cook County and Joseph Fratto, Comptroller for Cook County.

Appendix B: List of Interviewees

June 21, 2007	Mr. John Cookinham Chief Financial Officer, Bureau of Health Services
	Mr. Tom Glaser Chief Operations Office, Cook County
July 13, 2007	Dr. Daniel Winship Former Chief, Cook County Bureau of Health Services
	Ms. Ruth Rothstein Former Chief, Cook County Bureau of Health Services
July 17, 2007	Mr. Jerry Butler Chairman of the Health and Hospital Committee, County Commissioner, Cook County
July 26, 2007	Mr. Larry Gage President, National Association of Public Hospitals and Health Systems
July 31, 2007	Mr. John Daley Chairman of the Finance Committee, County Commissioner, Cook County
August 2, 2007	Dr. Robert Simon Interim Bureau Chief, Cook County Bureau of Health Services
	Mr. Todd Stroger President, Cook County Board of Commissioners
	Mr. Lance Tyson Chief of Staff to President Todd Stroger
August 15, 2007	Mr. Larry Suffredin County Commissioner, Cook County
	Mr. Timothy Schneider County Commissioner, Cook County
	Mr. Robert Steele County Commissioner, Cook County
	Dr. Sheryl Schabowski Executive Secretary, John H Stroger Medical Staff
August 23, 2007	Mr. Roberto Maldonado County Commissioner, Cook County
August 24, 2007	Mr. Gregg Goslin County Commissioner, Cook County

Appendix

Mr. Anthony Peraica
County Commissioner, Cook County

Mr. Joseph Moreno
County Commissioner, Cook County

September 5, 2007 Mr. John Cookinham
Chief Financial Officer, Cook County Bureau of Health
Services

Mr. Tom Glaser
Chief Operating Officer, Cook County Bureau of Health
Services

September 14, 2007 Ms. Donna Dunnings
Chief Financial Officer, Cook County

Mr. Joseph Fratto
Comptroller, Cook County

Appendix C: Summary of Cook County Finances

Appendix C: Summary of Cook County Finances
Table 1.

Cook County Bureau of Health Services Summary	Bureau of Health Budgetary Basis ⁽¹⁾			Bureau of Health Audited Financial Statements ⁽²⁾	
	Budgeted 2007	(Unaudited) As of 7/31/2007	(Unaudited) Revised Estimate 2007	(Unaudited) 2006	(Audited) 2005
OPERATING REVENUES:					
Net patient service revenue	\$ 536,887,200	\$ 275,904,000	\$ 489,553,664	\$ 501,462,642	\$ 615,904,950
Miscellaneous ⁽³⁾	-	-	-	30,981,042	29,253,793
Total operating revenues	536,887,200	275,904,000	489,553,664	532,443,684	645,158,743
OPERATING EXPENSES:					
Salaries and wages	442,349,181	280,883,144	469,685,390	530,660,426	532,156,473
Employee benefits	97,180,749	59,787,166	95,342,120	151,422,568	143,584,860
Supplies	136,958,893	87,305,929	136,489,771	148,169,836	149,343,183
Purchased services, rental and other	116,004,309	73,336,206	117,622,068	129,420,805	120,726,297
Depreciation ⁽⁴⁾	-	-	-	50,553,049	52,757,600
Utilities	17,548,657	9,699,104	16,902,440	17,484,065	17,704,456
Services contributed by other County offices ⁽⁵⁾	-	-	-	3,603,966	2,880,384
Total operating expenses	810,041,789	511,011,549	836,041,789	1,031,314,715	1,019,153,253
OPERATING LOSS	(273,154,589)	(235,107,549)	(346,488,125)	(498,871,031)	(373,994,510)
NONOPERATING REVENUES:					
Property taxes	144,388,125	96,258,750	144,388,125	146,545,358	145,782,528
Sales taxes	1,000,000	777,000	1,100,000	1,349,235	(1,683,562)
Cigarette taxes	123,804,318	89,316,000	128,000,000	96,832,521	59,881,369
Investment income	3,962,146	3,348,000	4,000,000	2,589,240	2,217,966
Retirement plan contribution ⁽⁶⁾	-	-	-	73,532,211	68,822,312
Services contributed by other County offices ⁽⁵⁾	-	-	-	3,603,966	-
Total nonoperating revenues	273,154,589	189,699,750	277,488,125	324,452,531	275,020,613
Net loss before other financing sources (uses)	-	(45,407,799)	(69,000,000)	(174,418,500)	(98,973,897)
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-	-	-	-	2,880,384
Total other financing uses	-	-	-	-	2,880,384
LOSS ON DISPOSAL OF FIXED ASSETS	-	-	-	(226,132)	-
CONTRIBUTED CAPITAL ⁽⁷⁾	-	-	-	19,081,878	11,533,038
(decrease) in net assets	\$ -	\$ (45,407,799)	\$ (69,000,000)	\$ (155,562,754)	\$ (84,560,475)

Notes:

- (1) Budgetary Basis encompasses the Bureau of Health approved Appropriation Ordinance, exclusive of Pension expense, Medical Malpractice expense and other County support not calculated in the Bureau of Health Annual Budget.
- (2) The Bureau of Health Audited Financial Statements include all Bureau of Health related expenditures. Accounting records are maintained on an accrual basis, and revenue is recognized when earned and measurable. Expenses are recognized at the time liabilities are incurred.
- (3) Miscellaneous revenue relates to restricted accounts and resources whose use has been limited by donors or grantors.
- (4) Depreciation is calculated for year-end audited financial statements. Depreciation is computed on the straight-line method for all of the Bureau of Health except, Stroger Hospital, which uses the 150% declining-balance method.
- (5) The County contributes certain services, such as purchasing, data, and payroll processing, to the operations of the Bureau of Health
- (6) The County also makes retirement plan contributions on behalf of employees of the Bureau of Health.
- (7) The County contributes certain capital expenditures, they are recorded as revenue in the Bureau of Health financial statements.

Source: Updated materials on year-end projected performance from Donna Dunnings, Chief Financial Officer for Cook County and Joseph Fratto, Comptroller for Cook County. September 14, 2007.

Appendix D: Continuum of Public Hospital Governance

<p>2. Agency of City/County Government with Separate Advisory Board or Health Commission: Community Health Network of San Francisco; Hurley Medical Center</p>	<p>4. Contract Management by University: Harborview Medical Center; The Health and Hospital Corporation of Marion County University Hospital Louisville</p>	<p>6. Authority or Public Benefit Corporation with Dedicated Governing Board: Grady Health System; Denver Health; Cambridge Health Alliance; Alameda County Medical Center; Erlanger Health System; Jackson Memorial Hospital; University of Colorado Hospital; VCU Health System; New York City Health and Hospitals Corporation; Hawaii Health Systems Corporation; Nassau County Medical Center; Westchester County Medical Center</p>	<p>8. Merger with or Acquisition by Existing Non-Profit Entity: Brackenridge Hospital; Community Medical Centers (Fresno); Boston Medical Center; Milwaukee County Medical Center</p>	<p>10: Closure: DC General Hospital; Philadelphia General Hospital; St. Louis City Hospital</p>
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<p>1. Agency or City/County Government with Direct Governance by Elected Officials: Los Angeles County Department of Health Services; Cook County Bureau of Health Services; Contra Costa Regional Medical Center; Kern Medical Center; Riverside County Medical Center; San Joaquin General Hospital;</p>	<p>3. Agency of State Government with Separate Board: LSU Health Services Division</p>	<p>5. Taxing District with Dedicated Governing Board: Parkland Health and Hospital System; Maricopa Integrated Health System; Palm Drive Health Care District; Harris County Hospital District; Memorial Healthcare System; North Broward Hospital District</p>	<p>7. Conversion to New Private Non-Profit Entity: Regional Medical Center At Memphis; Truman Medical Centers; Medical Center of Central Georgia; Phoebe Putney Memorial Hospital; UMass Memorial Healthcare System</p>	<p>9. Purchase By For-Profit Company: Amarillo Health Care District; Memorial Hospital of Las Cruces</p>
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Source: Documentation provided by Larry Gage, President, National Association of Public Hospitals and Health Systems