

COOK COUNTY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
November 30, 2018

CCHHS management expects to reduce operating losses in the future by retaining CountyCare membership, growing specialty and clinical services, improving denials management, bending the cost curve and increasing patient satisfaction and retention. To this end, CCHHS is establishing initiatives to sustain the trend of managing operating losses. Like all Medicaid Managed care plans, CountyCare and by extension CCHHS, continues to be highly dependent on timely reimbursement from the Illinois Department of Healthcare and Family Services (“DHFS”) for cash flow. CCHHS management continues to work on strategies to increase revenues through making its services more attractive to patients, managed care organizations, and other providers. It is also working on decreasing costs by reducing overtime hours and bringing high cost services in-house where financially/operationally justifiable. The financial climate for safety net hospitals continues to be challenging and CCHHS must continue to grow its base activity and its ability to accurately capture, bill and collect for the services in the Medicaid managed care environment.

(1) Net Patient Service Revenue and Patient Accounts Receivable

A significant amount of CCHHS’s net patient service revenue is derived from the Medicaid and Medicare programs. Payments under these programs are based on a specific amount per case or on a contracted price or cost, as defined, of rendering services to program beneficiaries.

Net patient service revenue is reported at estimated realizable amounts from patients, third-party payors, and others for services rendered. Retroactive adjustments under reimbursement agreements with third-party payors are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and are adjusted in future periods as final settlements are determined. Estimated amounts due from or to third-party payors are reported as third-party settlement liabilities in the statement of net position.

Patient accounts receivable represents amounts owed to CCHHS for services provided to patients. The receivable is either due from a third-party payor, such as Medicaid, Medicare, or commercial insurance carriers, or directly from the patient. Patient accounts receivable are presented net of allowances for contractual discounts and uncollectible accounts. CCHHS evaluates the collectability of its patient accounts receivable based on the length of time the receivable is outstanding, payor class, and historical experience. Accounts receivable are charged against the allowance for uncollectible accounts when they are deemed uncollectible. Medicaid patient accounts receivable (excluding Medicaid managed care) represented approximately 25% of patient accounts receivable, net, as of November 30, 2018. Additionally, during the year ended November 30, 2018, CCHHS management reassessed certain allowances provided against patient accounts receivable and concluded that such allowances were no longer necessary. Net patient service revenue for the year ended November 30, 2018, increased approximately \$40.3 million as a result of this reassessment.

(2) Charity Care

CCHHS’s mission is to treat all patients in need of medical services without regard to their ability to pay. Medical services are available at all CCHHS’s locations for those patients that are unable to pay for them. All patients are evaluated through the CCHHS financial counseling services. If a patient qualifies for Medicaid or other Federal programs, CCHHS will assist the patient in completing the applications for those programs.