

Reform, Innovation and Fiscal Responsibility in Health Care Financing: A Plan of Action for Cook County

By Dorothy Brown

“Now is the time for new ideas, not new taxes. I promise on my first day in office as Cook County President, I will begin working to lower the sales tax and bring new ideas to funding our Health Care System and the entire Cook County budget. The County budget will never again be balanced on the backs of working families. Together, we will bring a new era of fiscal responsibility to Cook County.” – Dorothy Brown

Introduction

Throughout the United States, the public is demanding that elected officials bring health care costs under control and provide all citizens with access to quality, affordable health care. President Barack Obama and Congress are working feverishly to reform the national health care system because it is bankrupting the country. Cook County is no exception. I call for reform, fiscal responsibility and innovation in the financing of health care provided by the County. The health care system is a drain on the County budget, therefore effectively reforming the health care system is essential to solving the fiscal crisis of Cook County. As President of the Cook County Board of Commissioners, I will work to:

- Solve the funding crisis in the Cook County health system.
- Expand access to managed care HMOs/PPOs in Cook County.
- Create a Cook County metropolitan area nonprofit insurance cooperative.
- Create a County Board President’s Roundtable to effect national policy

Solve the funding crisis in the Cook County health system

In the last several years, the County has begun to revamp its ineffective and inefficient health care management and financing systems. Cook County has recognized that it cannot continue to operate with huge operating losses. In FY2007, the Bureau of Health Services experienced a whopping loss of \$346 million.¹ Part of the loss was due to the fact that the County failed to collect fees for servicing patients. John H. Stroger, Jr. Hospital and other Cook County medical facilities “often fail to collect payment for medical services--even when patients have insurance and qualify for government health plans, according to almost two dozen interviews with officials, doctors, nurses and other experts. As a result, taxpayers are underwriting millions of dollars--perhaps tens of millions--in medical care annually for people who could contribute to the county's coffers instead of being a financial drain on the public health system.”² In 2006 alone, an estimated \$97 million in patient fees may not have been collected by the County.³

The Cook County Bureau of Health Service Review Committee, a blue-ribbon committee of policy experts, has noted that the fiscal crisis was caused in part by the lack of a functioning billing and financial reporting system. They clearly stated that the top priorities of fiscal

¹ Appendix C: Summary of Cook County Finance, Report of the Cook County Bureau of Health Services Review Committee, October 2007.

² Graham, Judith, “Why Cook Hospitals are Losing Millions,” Chicago Tribune, February 11, 2007.

³ Ibid.

management reforms include developing monthly financial reports including revenue and expense benchmarks and improving the revenue cycle.⁴

In response to these problems, Cook County has implemented several major reforms, such as creation of the Cook County Health and Hospitals System and establishment of an independent board of governors. Also, the County has set broad goals for improving the revenue cycle, including reduction of the level of outstanding accounts and improving the Medicaid eligibility process.⁵

More improvements are needed to put Cook County's healthcare financial house in order. As President of the Cook County Board, I will reform the revenue cycle by implementing a five-point plan of fiscal responsibility. I will:

1. Ensure that patients with an ability to pay are charged for the services they use;
2. Revamp the collections process to collect bad debts more quickly;
3. Prevent insurers from underpaying for services and leverage more favorable coverage; and
4. Make hospital business processes more efficient with innovative information technology solutions.

1. Ensure that patients with an ability to pay are charged for the services they use

In general, Stroger Hospital and the other medical facilities run by Cook County should inform patients of the financial assistance policies available from federal, state and local government sources and the criteria (i.e., income, assets) used to determine eligibility. Any patient who believes that they are qualified may apply for financial assistance under each appropriate policy or discount payment policy. To help determine eligibility, Cook County should create web-based search capabilities to determine if a patient is eligible for Medicare, Medicaid or COBRA coverage. Cook County should also determine if a jail inmate already has existing health insurance or if a juvenile is covered by a parent or guardians health insurance and charge the insurances accordingly.

However, there is no such thing as a free medical service. All patients should be expected to contribute to the cost of their care, based upon their individual ability to pay. Any self-pay, uninsured patient who indicates an inability to pay will be screened for charity care.

During the intake process, if a patient refuses to disclose financial information for Medicaid and/or charity care, the account will not be processed as charity care. The hospitals will treat the case as a standard accounts receivable and conduct all relevant follow-up. If necessary, Cook County should create installment payment plans for clients to pay all deductibles and out-of-pocket expenses, based on individual ability to pay.

I will also ensure that Cook County determines if patients are from other counties or states and set up a process whereby those counties or states are properly billed through inter-county agreements.

⁴ Cook County Bureau of Health Services Review Committee, op. cit., p. 8.

⁵ Office of the Chief Health Administrator, Cook County FY2009 Executive Budget Recommendations, p. D-8.

2. Revamp the collections process

Regrettably, Cook County can expect that some patients will fail to pay their bills. In response, Cook County needs to manage the collections process to maximize the amount of cash received from delinquent accounts. This can be done by ranking accounts according to the likelihood of defaulting and/or repayment. Using data such as credit scores, household income, and the patient's history of paying for medical care, Cook County can determine the risk level for default in a timely manner and go after defaulters in an intelligent manner. High risk accounts should be sent to a collections agency for processing. Low-risk accounts should be sent a past due letter. Cook County can use its in-house personnel resources to collect payments from medium risk accounts.

Software exists that will allow Cook County to develop profiles of patients' financial status and likelihood of payment. I will ensure that Cook County uses this software because the return on the investment can help plug the fiscal crisis.

3. Prevent insurers from underpaying for services

In recent years, software vendors have created management software that analyzes actual payments from insurers against what they are contractually obligated to pay. "Recovering money from underpaid claims literally is 'found money' and the average hospital can recover \$3 million in the first year of using the software."⁶

Provider organizations implementing contract management software often find huge savings during the first year of use. That's because they can retrospectively analyze claims already paid in the past year or so, find those that were underpaid and seek the proper payment.

Cook County may be able to improve its leverage in negotiation reimbursement rates by increasing its analytical capacity. The County should analyze actual utilization of medical services, reimbursement trends, denials of coverage, the amount and number of underpayments and billing adjustments. This will enable the County to better understand what it needs to negotiate for in new service contracts

4. Make business processes more efficient with information technology (IT) solutions

The best way to improve efficiency is to automate business processes with information technology solutions.

a. Conduct insurance eligibility verification

The verification of a patients' eligibility for coverage can improve the accuracy and completeness of revenue projections. For instance, Cook County may find out that a patient is enrolled in a PPO, instead of an HMO, through the verification process. Usually, PPOs reimburse hospitals at a higher rate than HMOs. By verifying the patient's true coverage, Cook County can make accurate determinations on the amount of reimbursements they will receive per patient. As President, I will ensure that Cook County uses electronic data interchange technology to conduct insurance eligibility verification transactions.

⁶ Goedert, Joseph, "I.T. Putting Together the Revenue Pieces," Health Data Management Magazine, March 2007.

b. Implement "Medical Charge Capture" data systems

To increase efficiency, many organizations use personal digital assistants (PDAs) to capture and collect data at the point of service. These tools help management keep accurate track of the costs of services, rather than letting the costs accumulate without proper oversight.

PDAs can be used to track the costs of medical procedures. A number of vendors have produced professional "charge capture software" to enable physicians to enter the correct diagnosis and procedure codes at the point of care. This has enabled clinicians to capture appropriate charge data for professional services. Some of these providers use software that captures "technical charges"-the charges for use of the facility, drugs and other supplies-at the time of use.⁷

By automating the "charge capture" process at the point of service, hospitals have been able to reassign administrative staff to other important functions, such as performing reconciliation and quality control functions.⁸ As President, I will ensure that state-of-the-art "charge capture" technology is implemented across-the-board at Cook County's medical facilities.

c. Eliminate paper invoices and remittances through automation

To save on paper, processing and postage costs, I will work to ensure that insurers and self-paying customers receive electronic invoices and pay for services online.

5. Work to make the Cook County Health and Hospital System Board permanent

Cook County created an independent Cook County Health and Hospital System Board in 2008. This Board has recently hired new management and has started to put some effective systems in place. I think it is important that this Board continues to ensure that we have a quality health care system.

As County Board President, I will work to make the Cook County Health and Hospital System Board permanent.

Expand access to managed care HMOs/PPOs in Cook County

In recent years, the State of Illinois has implemented two innovative programs to improve access to medical care and control costs—Illinois Health Connect and the voluntary Managed Care Program. Illinois Health Connect provides qualifying adults and families with access to primary care providers for general medical care and certain free health services for children, such as free check-ups.⁹ The voluntary Managed Care Program is open to qualifying adults and families in Cook County and several other counties in Illinois. "An MCO is an HMO or HMO-like health plan that has its own network of doctors and hospitals. Clients that enroll in an MCO get all of their services from the doctors and hospitals that are in the MCO network unless they get

⁷ Ibid.

⁸ Ibid.

⁹ www.illinoishealthconnect.com/

approval from the MCO. Clients can get their health care and may get extra benefits by enrolling in a Managed Care Organization.”¹⁰

Currently, there are two managed care organizations providing services for qualified Cook County residents: Family Health Network and Harmony Health Plan. Family Health Network provides services exclusively in Cook County and has 47,747 enrollees. Harmony Health Plan, which has 148,229 enrollees, includes residents of Cook County and other counties in Illinois.¹¹

Clearly, the programs provide access to quality care for thousands of Cook County’s neediest residents and helps manage the costs of the care. As President of the Cook County Board of Commissioners, I will work diligently to expand the number of HMO networks operating in Cook County, create PPO networks, and to promote enrollment of thousands of Cook County’s neediest residents in the networks.

Create a Cook County metropolitan area nonprofit insurance cooperative

Earlier this month, the U.S. Senate Finance Committee released a health care overhaul bill. The bill requires all Americans to get insurance; subsidizes low-income people to help them buy insurance; and requires select organizations and wealthier individuals to pay higher fees or taxes to pay for the program.¹² The bill also has a distinctive feature: creation of nonprofit health insurance cooperatives, which could compete with private insurers and provide working families with affordable health insurance.

The way cooperatives work is simple. Cooperatives would be owned by the patients/members and a board of trustees would oversee operations. The boards of the cooperatives would assemble a network of health care providers and negotiate payment rates with them

To compete with private insurers, nonprofit co-ops would, by definition, eliminate the profit motive. They may, for instance, pay the health care providers a straight salary, instead of compensating them for every service they provide. They may work closely with patients to explore various treatment options, instead of rushing to provide the most expensive procedure.

Under the Finance Committee’s plan, the federal government would provide up to \$6 billion to get co-ops started across the United States. After a few years, the co-op’s governing board would inherit responsibility for all operations, and the co-ops would become self-sustaining.¹³

I endorse the outlines of the nonprofit health insurance cooperative program and call for the establishment of a Cook County Metropolitan Area Insurance Cooperative.

Create an Illinois County Board Presidents’ Roundtable to effect national policy

Cook County is the second largest county in the United States but it does not have a national voice in effecting national policy on health care or in any area. As President I will work with the

¹⁰ www.hfs.illinois.gov/managedcare/managedcare.html

¹¹ www.hfs.illinois.gov/managedcare/managedcare_enrollment.html

¹² Details on the costs of the Senate Finance Committee chairman’s health care bill, Chicago Tribune, chicagotribune.com, 9/17/09

¹³ Health co-ops’ fans like cost and care, Boston Globe, www.boston.com, 8/19/09

Illinois Congressional Delegation, both Democrats and Republicans to push for national health care reform and other national agendas. In order help with this agenda, I will create an Illinois County Board President's Roundtable of all 102 County Board Presidents' in the state of Illinois, so that we can use our collective voice to help the governor to effect national policy.

Conclusion

At present, federal, state and local officials are fighting to reduce the costs and improve the efficiency of America's health care financing system. Cook County needs a strong leader who will embrace health care financing reforms and bring new ideas, not new taxes and provide quality, affordable coverage for all citizens. Cook County also needs a strong leader that will provide a national voice that will affect national policy. As President of the Cook County Board, I will use my financial background as a CPA and MBA, and my executive management experience, to embrace the responsibility and lead the effort to build an effective finance system for Cook County in the 21st century.