July 29, 2015 Volume 1, Issue 1

STRATEGIC PLANNING UPDATE

COOK COUNTY HEALTH & HOSPITALS SYSTEM CCHHS

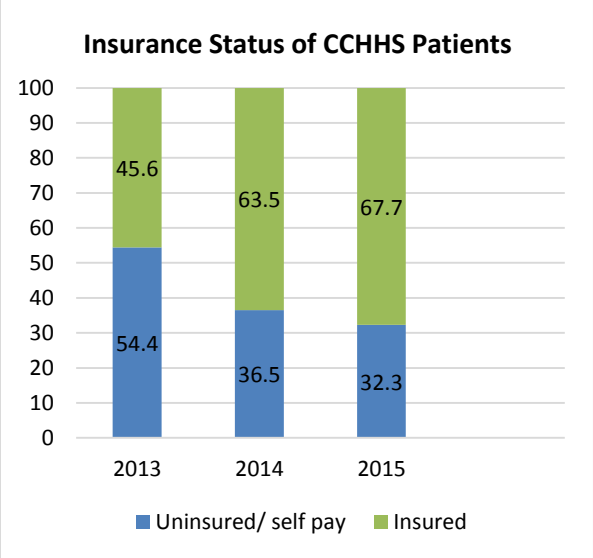
Dear CCHHS employees,

Staying true to the historic mission of the Cook County Health & Hospitals System (CCHHS) is the driving force behind every strategic decision we make. Ensuring access to quality health care to all Cook County residents remains our primary purpose. The Affordable Care Act (ACA) has brought about significant change to the health care market in which we operate. And as CCHHS continues to transform itself to compete in this new environment, we are excited about the opportunities these changes present to our health system.

In July 2014, CountyCare, our Medicaid managed care health plan, expanded beyond providing coverage for ACA adults to also covering traditional Medicaid populations: low-income parents and their dependent children (Family Health Plan or FHP) and seniors and persons with disabilities (SPD). CountyCare has nearly 180,000 members today which exceeds our 2015 budget projection. With more than 85,000 CountyCare members from these traditional FHP and SPD populations, we are studying potential service expansions and significant facility improvement strategies to allow us to best serve all of our patients and members.

The ACA has provided coverage for many of the individuals we have traditionally cared for without compensation. As a result, nearly 70% of our patients today have insurance - many through CountyCare. These patients now have access to the same services many of us take for granted. But what that also means is that the very patients who relied on us in the past when they were uninsured may now choose to go almost anywhere else for care.

This is a monumental change that provides us with great opportunity but requires us to transform the system into a modern, value-driven, highly patient-centered organization. Without CountyCare, it is likely that our volumes would have dropped significantly causing us to consider massive consolidation and perhaps even closure of some of our facilities.



Instead, CountyCare and Medicaid expansion provide us with the opportunity to protect our mission and reinvent ourselves to become a provider of choice.

While a majority of the Medicaid patients we are caring for are covered by CountyCare, a significant number are covered by one of 17 other Medicaid managed care plans operating in Cook County. It is our intention to become a network provider in every one of these plans so we can be reimbursed for the services we provide to those who do have coverage. By following the appropriate processes each plan requires from pre-authorizations to billing, we will ensure that we have the resources for the still significant number of individuals we care for who have no insurance. If we do not work within the guidelines set by other insurance plans and bill appropriately we will lose dollars that we

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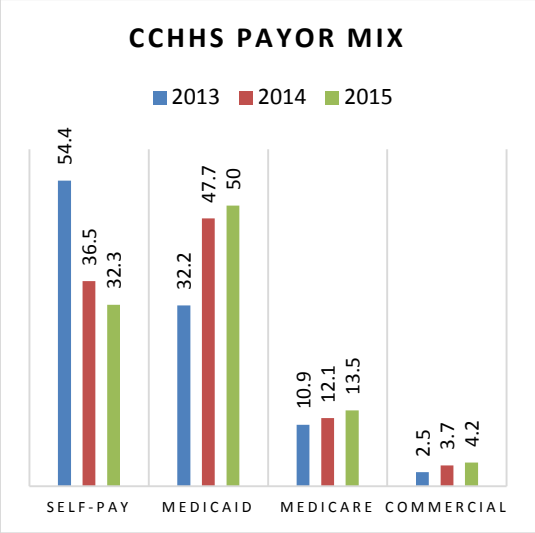
could use to care for those who do not have insurance.



We ended last year with a positive financial balance for the first time - a direct result of the ACA, the success of CountyCare and the efforts of everyone in this organization. While our financial position is improved, one year does not define a trend and many challenges remain.

External challenges like competition for our patients, the state budget, pressure in Washington to reduce total Medicaid spending and the 340B drug pricing program could quickly take us off track making it critical that we move quickly to secure our position in the local health care market.

To get us there, we are developing the next generation of the system's strategic plan. Because the current strategic plan was adopted before the ACA was approved by Congress, we are reevaluating each initiative for its relevance in a post-ACA world to ensure that we remain a competitive system and a community asset.

The provision of health care across the system, whether through inpatient care, outpatient services or our health plan will be done very deliberately. Our overarching principles will be what the Institute for Healthcare Improvement characterized years ago as The Triple Aim: improving population health *while* improving the quality of care for individuals *and* reducing overall costs of care. In short, we will be assessing everything we do through a prism of maximizing the value of the services we provide with the patient top of mind.

We are excited about what the future holds and intend to provide periodic updates as plans begin to take shape.

Things will undoubtedly change and change can be hard. There will be big changes and there will be small changes. And there will be big rumors and small rumors, internal rumors and rumors fueled by the media and our competitors.

My promise to you is that we will communicate changes. This newsletter will be the official vehicle for sharing strategic initiatives once their direction has been vetted by the CCHHS Board. Should you have any questions, please ask me or a member of senior leadership.

To that end, let me use this first issue to give you a sense of our direction.

Primary & Specialty Outpatient Services

The ACA and mandatory managed care in Illinois require us to place increased emphasis on primary care to manage our patients' health and prevent avoidable, costly, acute deterioration of a person's health.

Why? Gone are the days when we billed Medicaid for each service we provided to a patient. The new funding model under the ACA and Illinois Medicaid strategy provides us with an average per member/per month (PMPM) payment for each member of our health plan. If

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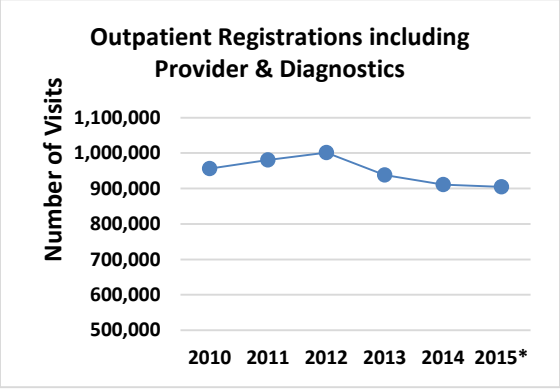
the member doesn't use a service that month, we still get the payment. But if a member has open heart surgery, we get that same monthly payment. No more, no less. The idea behind managed care is that the provider team is responsible for managing the health of its members and to maximize the health of those members for a fixed amount of dollars. This is why we must increase our focus on primary care and manage, for example, a patient's diabetes before it leads to complications requiring expensive emergency room or inpatient care. To do that, we must improve the delivery of outpatient services - primary care, specialty care, diagnostics, pharmacy, etc. And we must retain and attract patients.



*Projected

While we are seeing a leveling of our outpatient volumes, there has been a decline in recent years. Growing our outpatient business will require a combination of an improved patient experience, increasing access, building capacity, expanding services in the right locations and improving our physical space.

Central Campus Redevelopment

Initially conceived as a replacement strategy for outdated clinical and administrative space (Fantus, Hektoen and the Administration Building), the redevelopment of the Central Campus has given leadership an opportunity to re-evaluate our ambulatory strategy. We realized we need to redesign how we deliver outpatient services not just on the Central Campus but throughout the system. While the programming of what will go into the new building has not been completed, we are currently identifying or renovating space to move as many patient services out of Fantus as soon as possible. What does this mean? It likely means that pediatric specialty care currently housed in Fantus will move into space in Stroger or the Specialty Care Center and we will increase pediatric capacity at ambulatory sites across the system.

To facilitate better management of our patients' health in a way that is convenient to them and strengthens CCHHS' bond with the communities we serve, our goal is to execute a comprehensive outpatient strategy with strategically located regional outpatient centers (ROC). These ROCs will provide greater access for specialty and diagnostic services to patients we care for in our medical homes, members of the CountyCare plan, and members of other health plans with whom we have contracts. This

will mean adding new services throughout the system, vastly improving our facilities, or possibly moving into new ones.

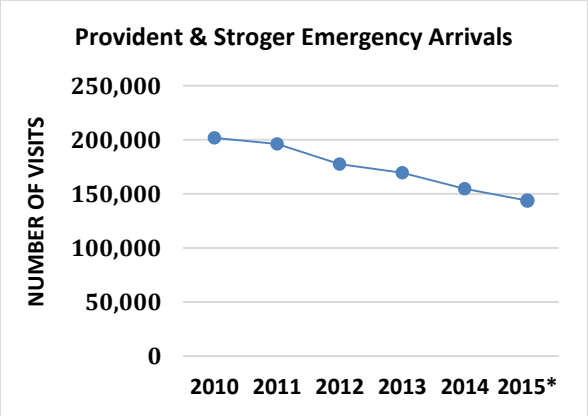
To explore those possibilities, a contract has been approved by the CCHHS Board of Directors to bring in architects and planners to take a comprehensive look at our ambulatory sites. We expect that the results from this process will lead to service improvements/expansion and new or improved facilities system-wide.

Some of our initial work has focused on the south side of Chicago and in the south suburbs and we are particularly excited for the opportunities we see to serve new and existing patients in the Provident and Oak Forest catchment areas. Business concepts are being developed that will incorporate market needs, projected volumes and the portfolio of services we will offer.

Hospital Based Services

The ACA rests on three major tenets: insurance reform (like allowing children to stay on their parents' health plans until age 26), expanded access (especially through Medicaid expansion and the health care marketplace), and the individual mandate to obtain health insurance (to spread out risk by assuring healthy individuals are also in health plan insurance "pools"). Managed care is based on the premise that the organization that holds the risk will succeed by assessing risk, coordinating care, and providing only medically necessary care (evidence-based medicine) at the right time and in the right place. Thus, by controlling chronic diseases like diabetes in an outpatient setting, we improve a patient's quality of life and avoid expensive emergency room or inpatient care. Again, think Triple Aim.

As other hospitals in the area and across the country have experienced, we have seen our emergency room and inpatient volumes decline. And while that is exactly what the ACA intended, our volumes, particularly our inpatient volumes have declined at a slightly faster rate than those of other area hospitals. This suggests that when hospitalization is necessary, patients may be choosing to go elsewhere because for the first time, they can.



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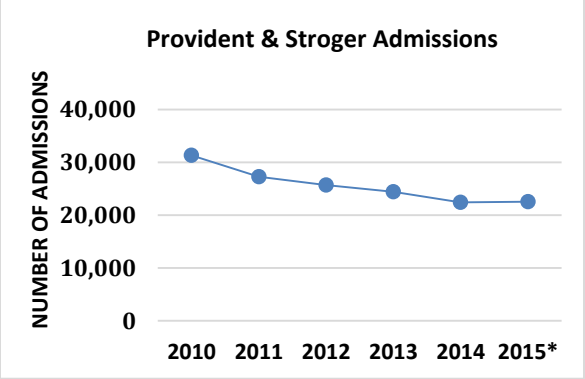

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A robust portfolio of outpatient primary and specialty care will provide our hospitals with a referral base of potential inpatients when acute care is needed. We are working on strategies that will result in increased deliveries of babies at Stroger but there are things we can do now. For example, CCHHS providers seeing pregnant

women should be encouraging their patients to deliver at Stroger. If we are caring for them before the baby is born, we should be delivering the baby and caring for the whole family after delivery. This is just one example of efforts underway to improve the health of the populations we serve while efficiently utilizing the facilities and broad array of professional skills we have across the organization.

CCHHS has a long, proud history of providing comprehensive inpatient care. Few hospitals provide the depth of services we do and others have scaled back inpatient services and specialties to focus on their centers of excellence and market opportunities. This new environment requires us to take an honest, objective look at the market needs in terms of our services and our locations, our strengths, the strengths of our competitors and partners, where our patients live and what our patients need. These are complex and difficult questions. Some of the answers may be uncomfortable. But we need to make sure we are providing the right services, at the right time, in the right location and, most importantly, with the highest level of quality possible.

While we intend to make decisions that will better position us in the market, at this time no definitive decisions have been made about the scope of inpatient services we will provide moving forward.

Creating an Integrated Health System

Part of what really excites me about more fully integrating our system is that we may be one of the few counties in the country that has all of the components needed for success (Provider, Health Plan, Correctional Health, Behavioral Health and Public Health) under one umbrella. The opportunity this presents for strategic integration and impact is enormous.

We have a significant opportunity to leverage the expertise of our public health, correctional health and behavioral health areas and better integrate these services into the system.

We are trying to address some of the holes that have been created as the result of decreased funding in community-based behavioral health services. Our relationship with Community Counseling Centers of Chicago (C4) that we announced in May continues to grow. We look forward to providing expanded behavioral health services in our medical homes and hospitals, and at the Cook County Jail and Juvenile Temporary Detention Center (JTDC).

Our efforts at Cook County Jail have resulted in more than 12,000 detainees being approved for Medicaid. And we are working on several other projects that will positively impact the justice-involved populations we serve at the jail and the JTDC before and after they are detained.

The Cook County Department of Public Health has an arsenal of data, programs and expertise that will be leveraged for the benefit of the patients we serve and on a larger scale, the residents of Cook County. Their expertise in chronic disease prevention, community-based strategies to improve birth outcomes and childhood development offer enormous opportunity as we seek to improve population health.

The Healthy Hot Spot campaign currently underway at the health department is a perfect example of the integration of services of seemingly unrelated agencies, to positively affect population health.

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Patient Experience

Ultimately, our volumes will be driven by decisions patients, health plan members and community-based physicians make about where people get their care. The post-ACA environment no longer allows us to assume patients will come to us or even need us as they have in the past. Our patient satisfaction survey data is pretty clear about what our strengths and weaknesses are. Managers should be sharing this data with their teams and working on area-specific strategies to improve customer service.

We must 'up our game' in customer service, scheduling and timeliness and offer as many conveniences and amenities as we can.

We are turning away as many as 300 patients from the Stroger parking garage every day. We cannot risk losing patients because they do not have access to convenient parking. We will implement a parking strategy in the coming months that I know will not be popular for our Central Campus staff. If we are serious about our commitment to the patient experience, we must make something as simple as parking easier. It is our hope that the strategy will be a short-term one as additional parking is a required component of the second phase of the Central Campus redevelopment. I am asking you to put our patients and their families first as we move forward on this.

Saturday clinic hours and the Patient Support Center (PSC) are several important steps that are already paying off. The PSC is taking more than 1,300 calls every day and more than 1,600 calls on Mondays. We have already added nursing support, expanded hours (8am - 7pm) and increased use of the Cerner message center to communicate important information. By the end of this month, we will complete the centralization of medical home appointment scheduling. By centralizing calls, we are providing our health center staff more time to focus on caring for the individuals in front of them. These are huge patient satisfiers but we have more work to do.

We have started customer service training sessions for staff which have been well received but please do not wait for formal training. Courtesy, empathetic communication and respect go a long way toward improving the patient experience and are skills that our staff can demonstrate today.

What's Next?

As we explore opportunities and develop strategies, we have various constituencies we need to communicate with, starting with the CCHHS Board and including the Cook County Board, our employees, our labor partners and our patients. Sequencing communication among the various groups is complex but please know that I am committed to keeping you informed.

Our 6,000 talented and dedicated employees are our biggest asset as we continue to transform CCHHS into a modern, integrated health system. Your continued commitment and dedication is greatly appreciated.

Sincerely,

Dr. Jay Shannon

Chief Executive Officer