COOK COUNTY

APPROVAL OF THE RECOMMENDATIONS FROM THE IRFC

AUGUST 31, 2021

TONI PRECKWINKLE
PRESIDENT, COOK COUNTY BOARD OF COMMISSIONERS

Roll Call

Opening Remarks

Approval of the Minutes

Agenda

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Forecast Update

Current General Funds-Long Term Forecast

General Fund Long-Term Revenue Forecast
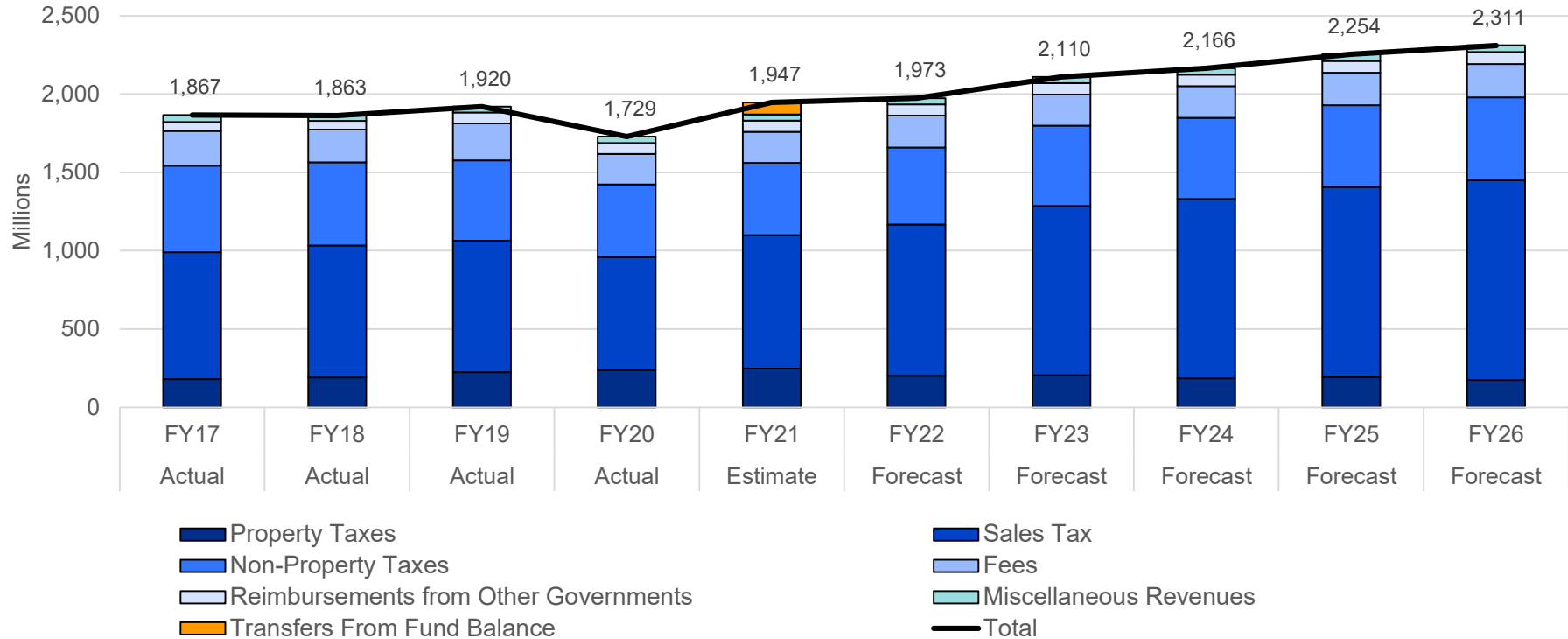
	FY21-FY22 Variance (%)	FY22-26 Variance (%)	5-Yr. CAGR (%)
Property Taxes	-18.3%	-13.4%	-3.5%
Sales Tax	+13.2%	+31.9%	+7.2%
Non-Property Taxes	+6.8%	+7.8%	+1.9%
Fees	+2.0%	+4.5%	+1.1%
Total GF Revenues	**+1.4%**	**+17.1%**	**+4.0%**

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Current Health Funds-Long Term Forecast

Health Funds Long-Term Revenue Projections
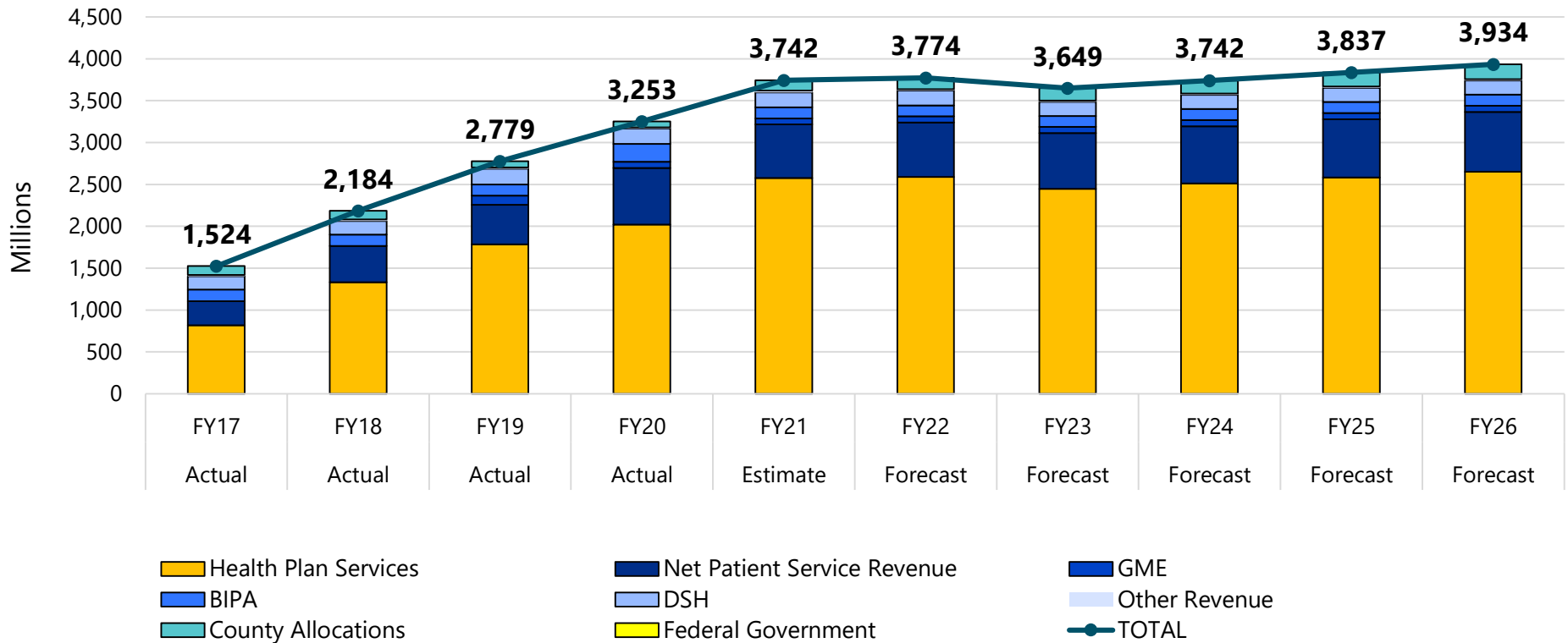
	FY21-FY22 Variance (%)	FY22-26 Variance (%)	5-Yr. CAGR (%)
Health Plan Services	+0.5%	+2.4%	+0.5%
Net Patient Service Revenue	+1.9%	+9.8%	+1.9%
County Allocations	+12.2%	+29.0%	+5.2%
Total HF Revenues	**+0.9%**	**+4.2%**	**+0.8%**

Sales Tax Update

Sales Tax Assumptions
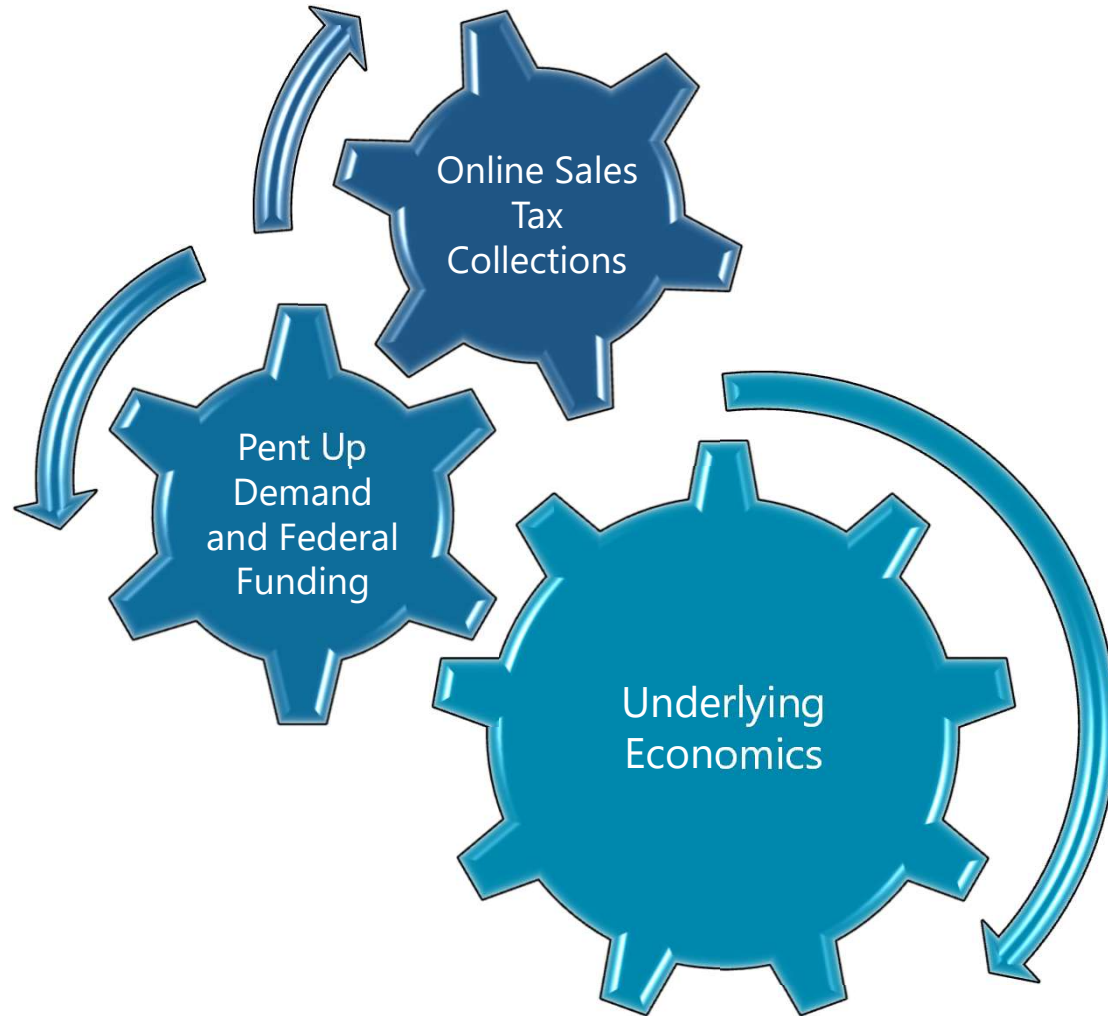
Online Sales Tax Assumptions

Online Sales Tax

Base Assumptions	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026
Total Retail Sales	6,457,026	6,705,238	6,962,992	7,230,653	7,508,604	7,797,240
Growth of total sales	3.84%	3.84%	3.84%	3.84%	3.84%	3.84%
Percent online	11.21%	12.33%	13.56%	14.92%	16.40%	18.04%
growth of online share	9.97%	9.97%	9.97%	9.97%	9.97%	9.97%
Total E-Commerce Sales	724,077	826,910	944,346	1,078,461	1,231,622	1,406,535
County share of US population	1.80%	1.80%	1.80%	1.80%	1.80%	1.80%
Share Subject to Tax	85.56%	85.56%	85.56%	85.56%	85.56%	85.56%
Potential sales	11,151	12,735	14,543	16,609	18,967	21,661
Compliance	60%	65%	70%	75%	80%	80%
Sales tax Rate	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%
Revenue before admin fee	117.09	144.86	178.16	217.99	265.54	303.26
Admin fee	(1.76)	(2.17)	(2.67)	(3.27)	(3.98)	(4.55)
TOTAL	115.33	142.68	175.48	214.72	261.56	298.71

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Total
FY2021	-	-	-	-	7.84	7.87	9.36	9.05	9.94	10.51	9.76	9.89	**74.23**
FY2022	9.83	9.72	9.57	11.98	9.70	9.74	11.59	11.20	12.30	13.00	12.08	12.23	**132.94**
FY2023	12.16	12.02	11.85	14.82	11.93	11.97	14.25	13.77	15.13	15.99	14.86	15.04	**163.79**
FY2024	14.96	14.79	14.57	18.23	14.60	14.65	17.43	16.85	18.51	19.56	18.18	18.41	**200.74**
FY2025	18.30	18.09	17.83	22.31	17.79	17.85	21.24	20.52	22.55	23.83	22.15	22.42	**244.87**
FY2026	22.29	22.04	21.71	27.17	20.31	20.38	24.25	23.44	25.76	27.21	25.29	25.60	**285.47**

FY 2021 General Fund Scenarios: Factoring in Pent up Demand

Sales Tax Analysis

Date as of 06/25/2021

*Taxes are collected 4-months before being remitted to County

IRFC Recommendations & Next Steps

Proposed Release of FY2022 Budget Items

Departments submit preliminary revenue and expense estimates to the Department of Budget and Management Services (DBMS).

Deadline for preliminary budget forecast, filed with the President's Office.

Residents and departments continue to provide input on final County budget development, while the President and DBMS balance department budgeting requests.

Proposed budget is made available for public review. Public hearings are conducted and amendments are made upon consideration by the Committee of Finance. Board of Commissioners adopts the Appropriation Bill, authorizing funding and staffing levels to departments.

| May | June | June 30 | July | September | October | October-November | December 1 |

DBMS aggregates department estimates and prepares the preliminary budget forecast.

Development of the Executive Budget Recommendation begins. The President holds a public hearing on the Preliminary Forecast to allow public feedback.

Submission of the Executive Budget Recommendation by the President to the Committee on Finance of Cook County.

Appropriation Ordinance is implemented and fiscal year begins.

Recommendation 1: CountyCare Membership Scenarios

Build out CountyCare membership scenarios to detail clearer explanations regarding redetermination and auto-assignment process factors and trends.

- Provide clearer explanations about how redetermination of eligibility practices may affect total membership
- Clearly define factors driving the State's auto assignment practices
- Document any assumptions about member retention in the out years
- Align retention rates with historical trends

Next Steps for Recommendation 1: CountyCare Membership Scenarios

Deliverable	Description	Status	Timing
PMO Meetings	We have established weekly touchpoint meetings between the Office of the CFO and CCH Finance Team for additional knowledge and data transfer sessions.	In progress	Weekly meetings
Three CountyCare Scenarios	Provide specific details concerning the timing and impact on monthly membership due to the resumption of redeterminations, the level of auto assignment to CountyCare from the state, and normal attrition, for FY 22 and outyears for Base, Best, and Worse Case Scenarios.	In Progress	Incorporate into the narrative for FY22 Executive Recommendation
Narrative on Auto Assignment	Provide a narrative explaining the stated criteria that the State of Illinois uses to determine the auto assignment policy and any applicable factors included in such calculation.	In Progress	Incorporated into the narrative for FY22 Executive Recommendation

Projection Levers*	Conservative		Middle		Optimistic	
	Approach	Multiplier	Approach	Multiplier	Approach	Multiplier
Rede turned back on	22Q1		22Q1		22Q3	
Rede factor once turned on	Pre-Rede Event	2.5%	Pre-Rede Event	2.5%	Pre-Rede Event	2.5%
Next Month Projected Auto-Pool Method	Daily 834 Adjust		Daily 834 Adjust		Daily 834 Adjust	
Next Month Choice Adds	Daily 834 Adjust		Daily 834 Adjust		Historical	
Next Month No Reason Given Attrition	Historical		Daily 834 Adjust		Daily 834 Adjust	
Future Month (2+ out) No Reason Given Attrition	Historical HP	10.2%	Historical HP	10.2%	COVID HP	9.9%
Future Month (2+ out) Term of Benefit Attrition	Historical HP	2.5%	Historical HP	2.5%	Historical HP	2.5%
Projected Future Auto-Assignment Rate		20%		35%		50%
Favorable Auto-Assignment (50%) Cut-Off	21Q3		21Q4		22Q4	
Projected Auto-Pool Method	EVH Adjusted		EVH Adjusted		EVH Adjusted	
Emergency Period Choice Adds	COVID Non-Open Enrollment	2.4%	COVID Non-Open Enrollment	2.4%	COVID Non-Open Enrollment	2.4%
Post-Emergency Period Choice Adds	Historical	7.1%	Historical	7.1%	Historical	7.1%
Open Enrollment Term Impact (Dec, Jan, Jun)	Open Enrollment HP	19.8%	Open Enrollment HP	19.8%	Open Enrollment HP	19.8%
CY21 HMA Unemployment Interpretation	Downward 1.5x	52.6%	Downward	78.8%	Downward	78.8%

*Preliminary data FY2021, subject to change

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# Recommendation 2: CountyCare PMPM Rate Review

Improve the rate assumptions in the CountyCare PMPM scenario projections by leveraging historical data and highlighting additional assumptions and factors.

- Discuss the composition of different population groups and their average weighted PMPM rate.
- Identify how the composition population groups has an impact on the overall PMPM rate
- Provide a historical record of the average PMPM rate by population group
- Leverage historical data for the development of future forecasts and scenarios

Next Steps for Recommendation 2: CountyCare PMPM Rate Review

Deliverable	Description	Status	Timing
Periodic transmission of data	As part of an ongoing process, will exchange files that provide historical average rates received by population and age cohort on monthly basis.	In progress	First week of the month on an ongoing basis
Three CountyCare Scenarios	Provide specific details concerning the average monthly rates in the aggregate and within each population group for each of the three specified scenarios.	In progress	Incorporate into the narrative for FY22 Executive Recommendation
Narrative on acuity and age cohorts	Provide a narrative explaining the impact of acuity by age cohort and maternity status on the PMPM Rates within each population as well as the on the aggregate PMPM rate.	TBD	Incorporated into the narrative for FY22 Executive Recommendation

CountyCare PMPM Rates
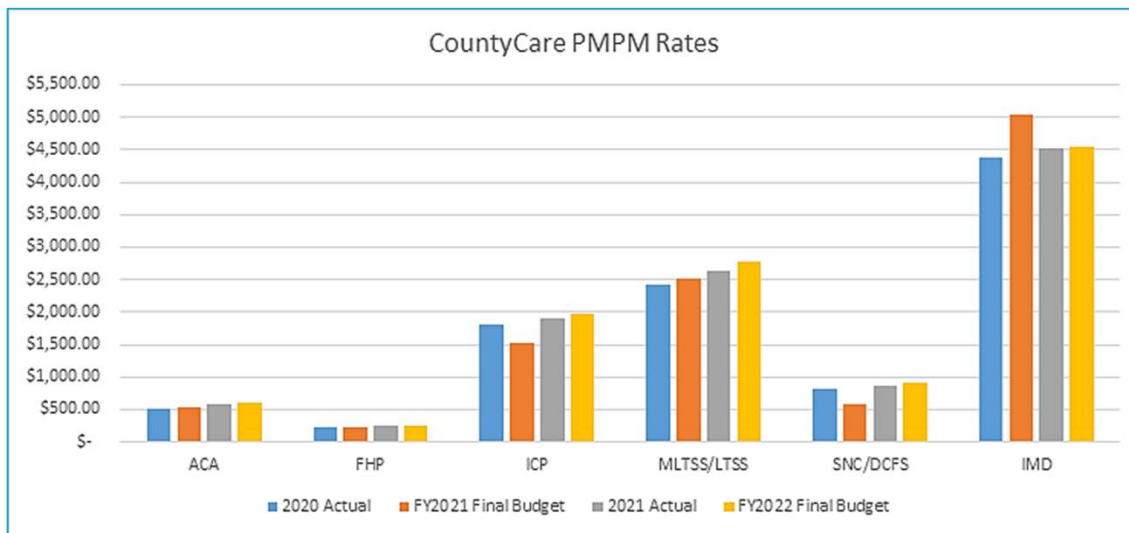
CountyCare - PMPM	HPS Revenue ($M)
FY2021 Budget	$485.57
FY2021 Actual	$517.20
FY2022 Budget	$531.71

- Total HPS FY2022 revenue: $2,633,710,980
- Revenue is increasing by $413.3M over FY2021 budget
- FY21 actual revenues are stronger than budget due to extended favorable auto-assignment and delay in redetermination

Recommendation 3: NPSR Projections

Improve the Net Patient Services Revenue Projection by focusing on the underlying impacts used to develop the gross charges and yield assumptions

- Explain how overall volume assumptions are impacted by economic and environmental factors
- Discuss how case mix impacts gross charges and identify assumptions regarding Payer mix and reimbursement rate in the base case and alternative scenarios
- Explain how the payer mix (including charity care) impacts yield and document assumptions in the base case and alternative scenarios
- Identify how assumptions regarding the revenue cycle impact yield and document upside and downside risk in the alternative scenarios

Next steps for Recommendation 3: NPSR Projections

Deliverable	Description	Status	Timing
Develop long term forecasting model with inputs that include case mix assumptions	Working with CCH to develop a model that incorporates assumption inputs for out years on NPSR including case mix, payer mix and reimbursement rate assumptions that can be toggled for the development of various scenarios. Model will also reconcile to Cook County's current budgeting practices.	In progress	Incorporate into LT Forecast for FY22 Executive Recommendation
Narrative on Revenue Cycle improvements	Develop a narrative that explains efforts to improve CCH Revenue Cycle and the potential impacts on a cash basis for County revenues.	In Progress	Incorporate into the narrative for FY22 Executive Recommendation
Pursue Changes to Chart of Accounts	In weekly meetings pursue changes to COA by leveraging discovery made in FY 2021.	In progress	Targeting FY 2023 Budget

Improve Transparency in NPSR Reporting

1. Develop NPSR assumptions and break them out by Medicaid, Medicare, and Private payers for FY 2022 budget, properly document any adjustments made to each of these categories in the process.

2. Throughout FY 2022, develop an alternative budget (in a sandbox environment) that represents the future state of the chart of accounts by leveraging discovery done in FY 2021.

3. In FY 2022, develop an alternative budget based on above using the Proposed Chart of Accounts.

4. In FY 2022, within a sandbox of EBS record how we would reflect actuals given the alternative budget.

5. Migrate the chart of account changes to Hyperion and EBS, and budget them using the new convention for FY 2023.

Recommendation 4: Improve ARPA Impact Analysis

> Re-evaluate the impact of the ARPA funds on Cook County revenues by examining each provision and scaling to Cook County in ways that are appropriate for each revenue source.

- Review and perform additional research on % Spent on Taxable Goods, % Spent vs saved and other assumptions embedded into the analysis and document them within our forecasts
- Expand the breadth of the ARPA Impact Analysis to include additional provisions including Extended Unemployment Compensation, Earned Income Tax Credit, and others

Next Steps for Recommendation 4: Improve ARPA Impact Analysis

Deliverable	Description	Status	Timing
Review ARPA provisions for other potential impacts	Beyond the Child Tax Credits and Individual Direct Payments, we have determined that other provisions of the American Rescue either have a negligible impact or are already included in our forecasting methodology. A write up of this analysis is included in our response to the recommendations of the IRFC. SLRF funds while likely to have a significant impact but cannot be estimated without a clearer understanding of the approved programs within the County.	Complete	Included in Recommendations of the IRFC

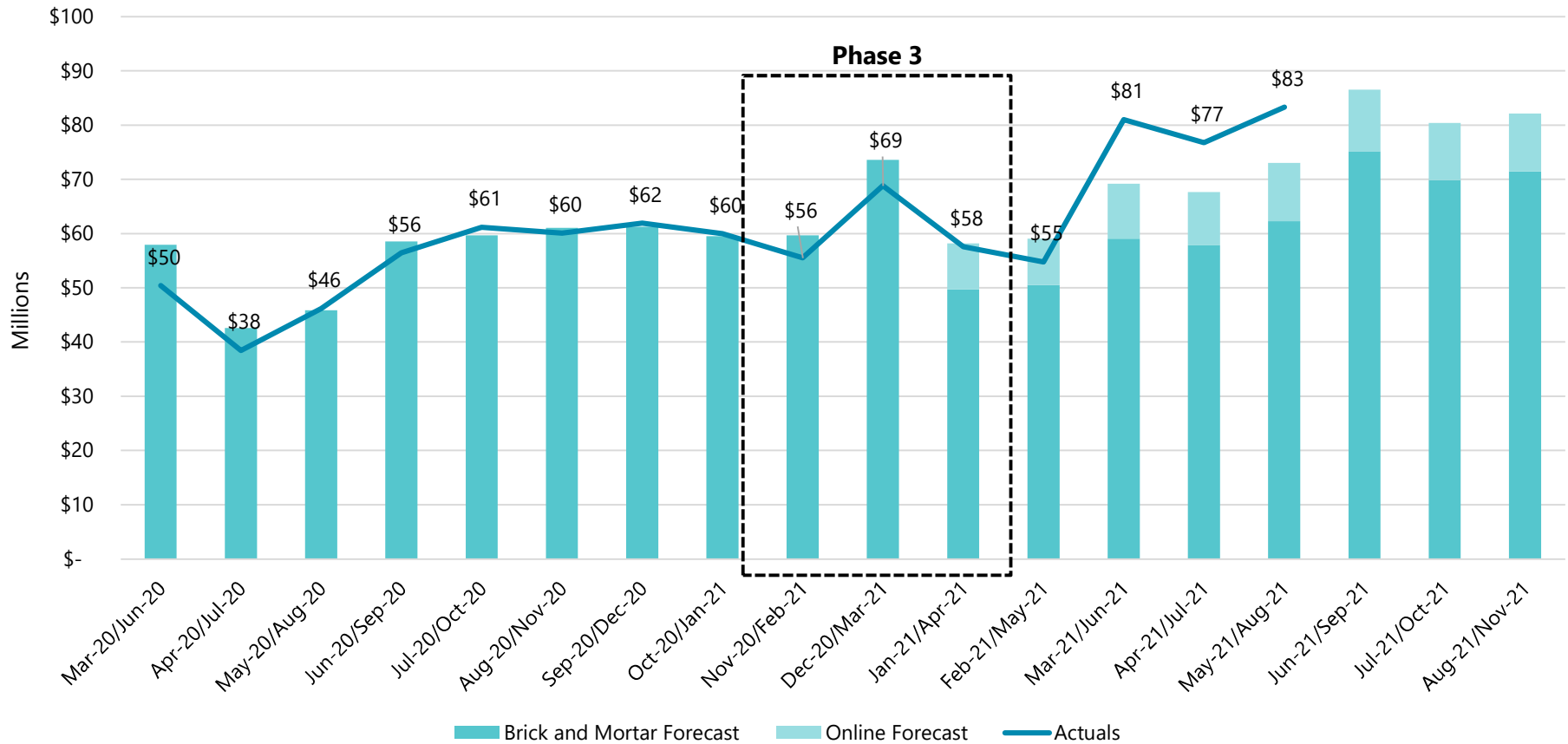# Next steps for Recommendation 4: Improve ARPA Impact Analysis

Provisions of American Rescue Plan Act (ARPA)	2021 Estimated Outlays (millions)	% of Total	Total 2021-2030 Budget Authority (millions)	% of Total	Included in models?
Sec. 9601 - Recovery Rebates for Individuals	404,937	34%	413,637	22%	Included
Sec. 5001 - Coronavirus State and Local Fiscal Relief Funds	349,800	29%	350,000	18%	Separately Considered
Title 9 Subtitle A – Crisis Support for Unemployed Workers	228,372	19%	242,401	13%	Embedded
Sec. 2001 - Elementary and Secondary School Emergency Relief Fund	6,428	1%	128,555	7%	Excluded
Total Title 3 Public Health	28,687	2%	128,236	7%	Excluded
Sec. 9611 Child Tax Credit Improvements for 2021	19,169	2%	88,486	5%	Included
Sec. 9704 - Multiemployer Pension Plans	12	0%	85,666	4%	Excluded
Sec. 7001 - FEMA Appropriation	11,480	1%	50,000	3%	Excluded
Sec. 6003 - Support for Restaurants	25,000	2%	25,000	1%	Excluded
Sec. 4101 Emergency Rental Assistance	8,100	1%	20,250	1%	Excluded
Sec. 9621 - Strengthen the EITC for Individuals With No Qualifying Children	0	0%	9,278	0%	Negligible amount
Other	118,305	10%	368,805	19%	
Total	**1,200,290**	**100%**	**1,910,314**	**100%**	

Recommendation 5: COVID-19 Resurgence

Create an additional scenario that assumes a COVID-19 resurgence and properly documents the impact on both general fund and health fund revenue sources

Legend: Brick and Mortar Forecast | Online Forecast | Actuals

* Forecasted values are from FY2021 Annual Appropriation, and do not include pent up demand and stimulus additions

Next Steps for Recommendation 5: COVID-19 Resurgence

Deliverable	Description	Status	Timing
Narrative on Risk of COVID-19	Develop a narrative and table that provides estimated impacts for each month that additional lockdowns occur for COVID sensitive revenue sources.	Under review	Incorporated into the narrative for FY22 Executive Recommendation within a new Risk and Opportunities Section of Executive Summary

Average Monthly Losses from Phase 5:

	Phase 3	Phase 4
401150-County Sales Tax	9,453,000	1,660,000
401190-Gasoline / Diesel Tax	626,000	215,000
401330-Il Gaming Des Plaines Casino	602,000	16,000
401350-Amusement Tax	2,353,000	2,494,000
401370-Parking Lot and Garage Operation	1,664,000	1,528,000
401490-Firearms Tax	(82,000)	(52,000)
401550-Hotel Accommodations Tax	2,124,000	1,835,000
402950-Sheriff General Fees	371,000	365,000
Total	17,111,000	8,061,000

Recommendation 6: Alternative Scenario Methodology on an ongoing basis

Develop a clear process by which possible economic scenarios are developed, explained, and analyzed

- Establish Clear and Concise set of Assumptions
- Document Methods and Processes

Next steps for Recommendation 6: Alternative Scenario Methodology on an ongoing basis

| Deliverable	Description	Status	Timing
Alternative scenario Methodology Document with clear and concise Procedures	The document will provide a central repository for the development of alternative scenarios in both the General and Health Fund	In Progress	End of FY 2022
Narrative outlining the methodology used to develop GF Alternative Scenarios	Develop a high-level narrative that explains the Methodology we use for the alternative scenarios.	In Progress	Incorporate into the narrative for FY22 Executive Recommendation
Narrative Describing the Alternative Scenarios for the General Fund	Leverage the New Moody's scenarios and data to develop Alternative scenarios and associated narratives	In progress	Incorporate into the narrative for FY22 Executive Recommendation

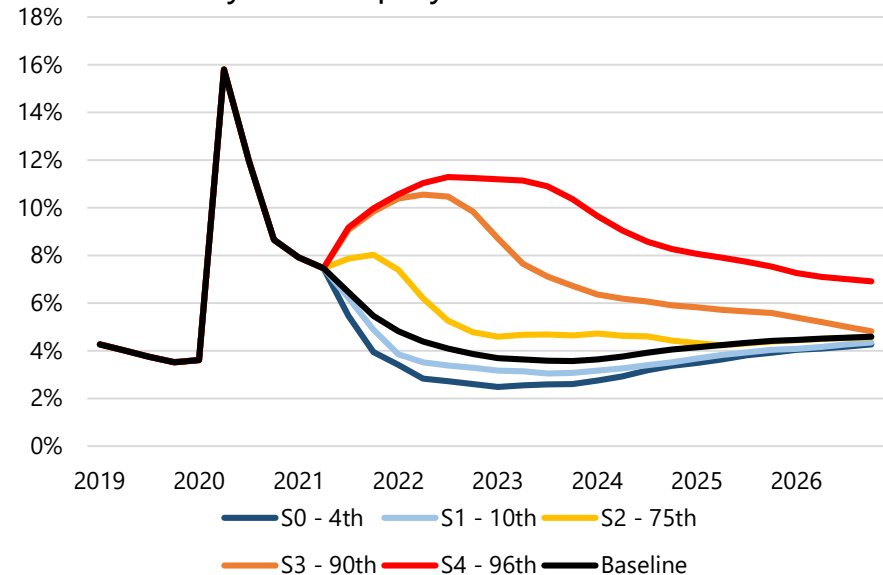# Next steps for Recommendation 6: Alternative Scenario Methodology on an ongoing basis

Summary of Ongoing Process

1) Identify the economic indicator for a specific revenue stream that has the highest correlation to historic data
2) Select the overall scenarios which will be used for comparison purposes against the base line estimate. As a matter of principal, scenarios with equal upside and downside probability should be used.
3) Perform a regression analysis for each scenario and measure the percent variance from the base line estimate for each of the out years.
4) Apply that percent change to the baseline out year estimate to develop the best and worse case scenarios.
5) Review the results with subject matter experts for reasonableness and adjust accordingly.
6) Perform steps 1 –5 for each economically sensitive revenue source.

Moody's Constant GMP Scenarios
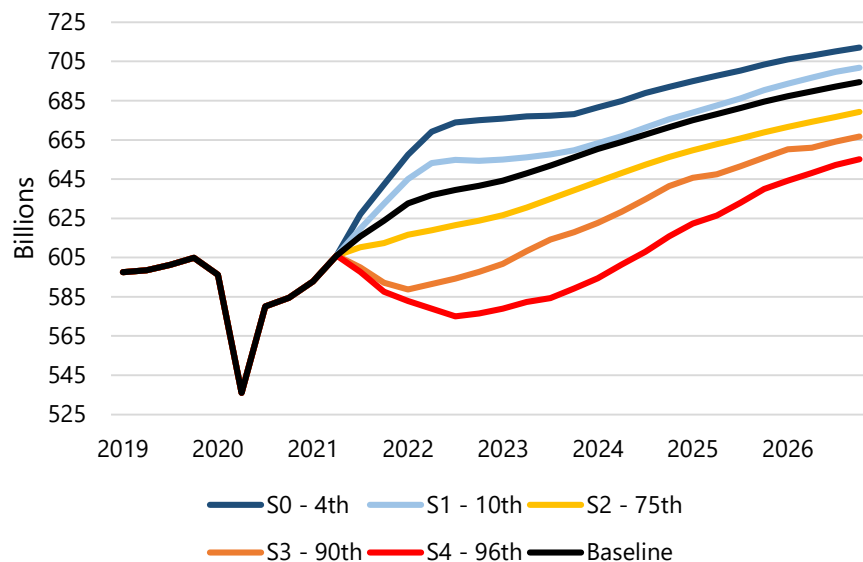
Moody's Unemployment Rate Scenarios

S0 - 4th   S1 - 10th   S2 - 75th
S3 - 90th   S4 - 96th   Baseline

Next steps for Recommendation 6: Alternative Scenario Methodology on an ongoing basis

Baseline Forecast	S1: Alternative Scenario 1 – Upside – 10th Percentile	S3: Alternative Scenario 3 – Downside – 90th Percentile
• Under our baseline outlook we anticipate that the U.S. will effectively achieve herd resiliency in September. • The baseline forecast assumes lawmakers pass an infrastructure bill and the Build Back Better package totaling $1.4 trillion • The acceleration in consumer prices is expected to be transitory along with the U.S. labor supply constraints, with the latter being caused by healthcare concerns, childcare issues, and expanded unemployment insurance benefits. Labor supply constraints are expected to begin easing in late August and September.	• New cases, hospitalizations and deaths from COVID-19 recede faster than in the baseline. Widespread availability and acceptance of vaccines boosts consumer confidence in the safety of restaurants, stores, hotels and flights, and therefore spending, more than expected. • The fiscal stimulus boosts the economy more than expected. • The above-baseline growth results in steadily declining unemployment and consequently fewer business bankruptcies. Although inflation and long-term interest rates rise more than in the baseline, financial markets do not become alarmed, and the stock market continues to rise. The economy returns to full employment by the first quarter of 2022.	• New cases, hospitalizations and deaths from COVID-19 diminish more slowly than expected, delaying the reopening of businesses in some areas of the country. More people than anticipated refuse to receive the vaccines and worries about resistant strains rise. As a result, consumers remain uncertain about the safety of hotels, stores, restaurants and flights, and therefore spending on air travel, retail and hotels declines. • The stimulus is less effective than expected because of the lower consumer spending. More of the funds end up in savings and thus fiscal multipliers are smaller than assumed in the baseline. • Unemployment begins to increase again in the third quarter of 2021, consumer confidence falls, and bankruptcies rise as forbearance ends. Consumer spending drops significantly in the third quarter of 2021, and the economy falls into recession. The economy does not return to full employment until the fourth quarter of 2026.

Next steps for Recommendation 6: Alternative Scenario Methodology on an ongoing basis

Baseline	2021	2022	2023	2024	2025	2026
Constant GMP	6.2%	4.6%	1.9%	2.4%	2.1%	1.7%
Current GMP	9.7%	7.3%	4.1%	4.6%	4.3%	3.7%
Inflation	3.8%	3.0%	2.3%	2.3%	2.3%	2.3%
Employed	2.7%	3.7%	1.5%	0.4%	-0.2%	-0.3%
Unemployment Rate	6.8	4.3	3.6	3.8	4.3	4.5

S1 - 10th (Best)	2021	2022	2023	2024	2025	2026
Constant GMP	6.7%	6.4%	0.8%	1.8%	2.3%	2.0%
Current GMP	10.5%	9.7%	3.1%	4.0%	4.4%	4.0%
Inflation	4.1%	3.7%	2.4%	2.3%	2.3%	2.3%
Employed	3.0%	4.4%	1.5%	0.5%	-0.3%	-0.4%
Unemployment Rate	6.6	3.5	3.1	3.3	3.9	4.2

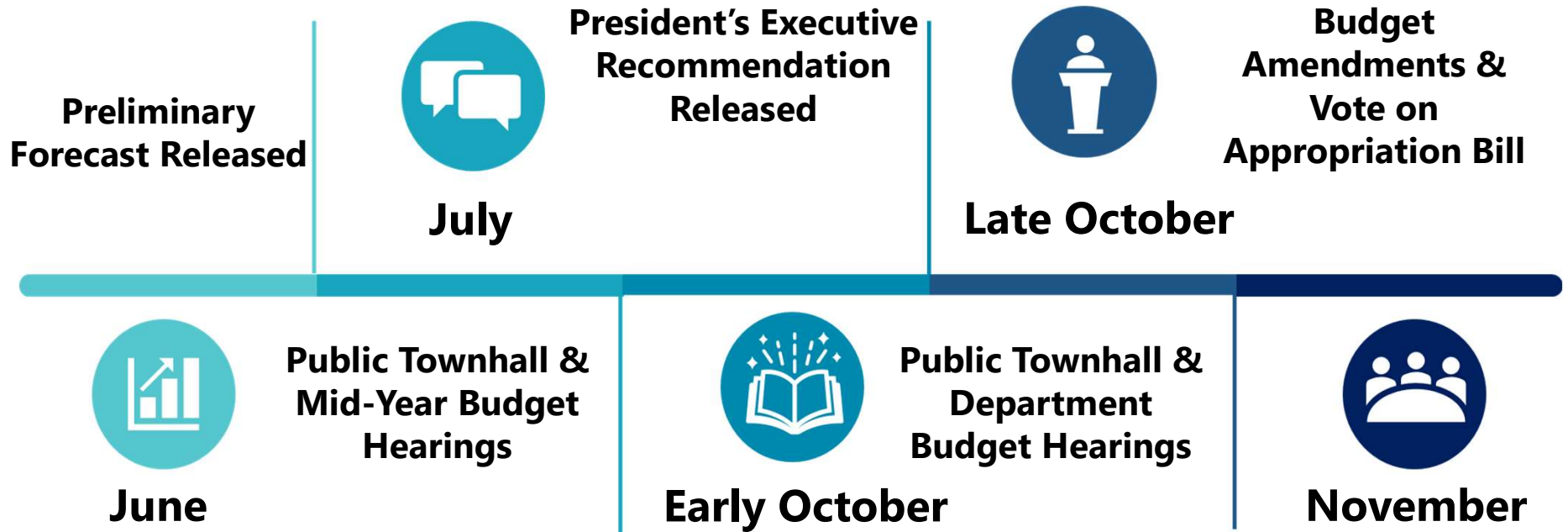| S3 - 90th (Worst)	2021	2022	2023	2024	2025	2026
Constant GMP	4.1%	-0.8%	2.9%	3.5%	2.9%	2.0%
Current GMP	7.5%	0.9%	4.0%	5.2%	5.5%	4.2%
Inflation	3.3%	1.1%	1.9%	2.2%	2.7%	2.4%
Employed	0.6%	-2.0%	3.7%	2.6%	0.9%	0.6%
Unemployment Rate	8.57	10.31	7.55	6.13	5.69	5.10

Economically Sensitive Revenue
401130 - Non-Retailer Trans Use Tax
401150 - County Sales Tax
401170 - County Use Tax
401190 - Gasoline / Diesel Tax
401210 - Alcoholic Beverage Tax
401230 - New Motor Vehicle Tax
401330 - Il Gaming Des Plaines Casino
401350 - Amusement Tax
401370 - Parking Lot and Garage Operation
401390 - State Income Tax
401470 - General Sales Tax
401490 - Firearms Tax
401530 - Gambling Machine Tax
401550 - Hotel Accommodations Tax

Next Steps

FY2022 Budget Calendar

Preliminary Forecast Released

President's Executive Recommendation Released

July

Budget Amendments & Vote on Appropriation Bill

Late October

Public Townhall & Mid-Year Budget Hearings

June

Public Townhall & Department Budget Hearings

Early October

November

Upcoming Budget Dates

August

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

August 27: CCHS Budget Vote
August 31: Issuance of Recommendations
August 31: IRFC meeting

September

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

September 23: CCH submits budget to Board, IRFC recommendations received by Board

October

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

October 7: Release of President's recommendation
October 18-22: Department Briefings
October 28: IRFC Quarterly Meeting

November

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

November 18: Budget Vote

*Disclaimer: dates are subject to change

Public Comment

Adjournment