



Illinois Health and Hospital Association

Medicaid Legislative Work Group

Hospital Transformation: Opportunity & Challenge

August 19, 2020

Change is Hard, But Inevitable

“The only constant in life is change.”

Heraclitus

Hospital and Healthcare Transformation

(Public Act 101-650; 305 ILCS 5/14-12(d-5)(B))

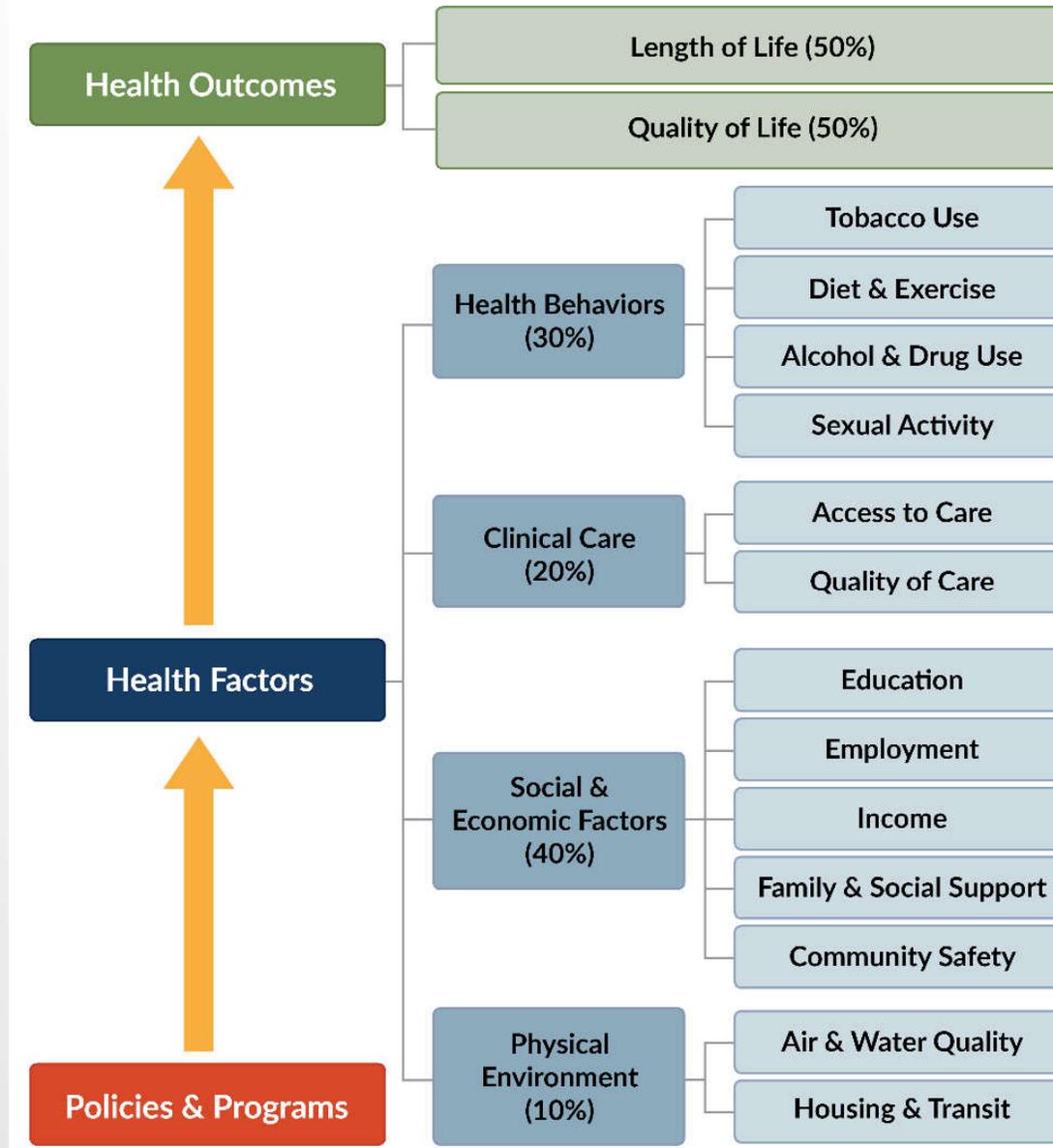
*“(B) Whereas there are communities in Illinois that suffer **significant health care disparities** aggravated by **social determinants of health** and a **lack of sufficiently allocated healthcare resources**, particularly **community-based services and preventative care**, there is established a new hospital and healthcare transformation program, which shall be supported by a transformation funding pool.”*

What Factors Influence Health?



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Health Factors to Improve Future Health



County Health Rankings model © 2014 UWPHI

Source: County Health Rankings and Roadmaps 101, Robert Wood Johnson Foundation and University of Wisconsin Population Health Institute

Figure 1

Social Determinants of Health

Economic Stability	Neighborhood and Physical Environment	Education	Food	Community and Social Context	Health Care System
Employment	Housing	Literacy	Hunger	Social integration	Health coverage
Income	Transportation	Language	Access to healthy options	Support systems	Provider availability
Expenses	Safety	Early childhood education		Community engagement	Provider linguistic and cultural competency
Debt	Parks	Vocational training		Discrimination	Quality of care
Medical bills	Playgrounds	Higher education		Stress	
Support	Walkability				
	Zip code / geography				

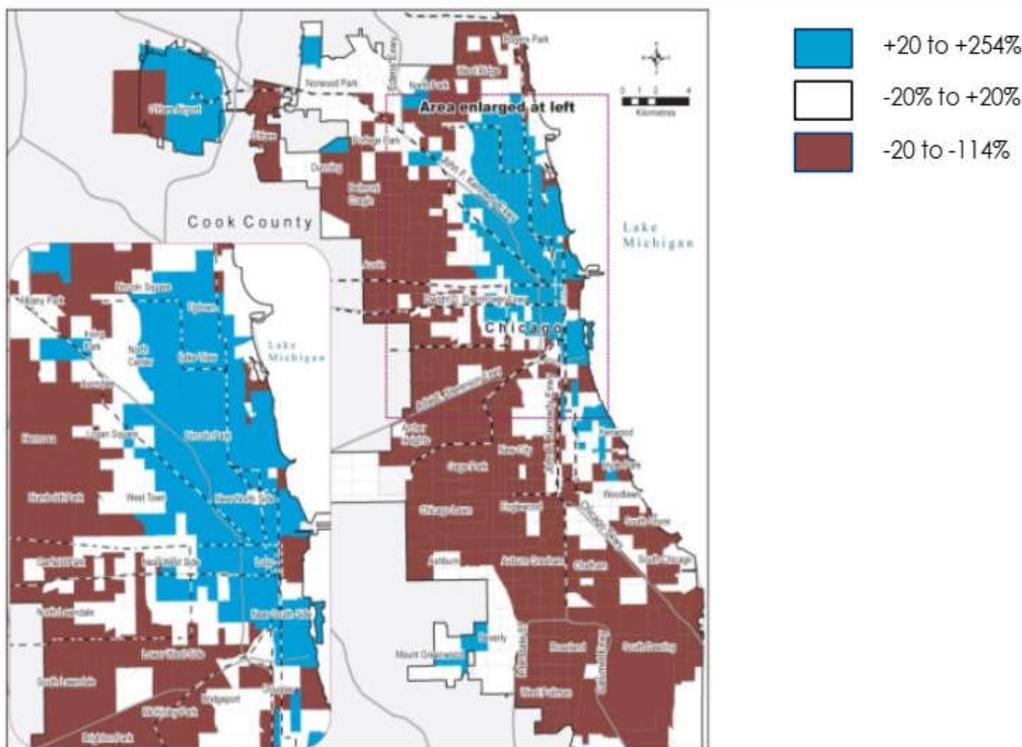
Health Outcomes
 Mortality, Morbidity, Life Expectancy, Health Care Expenditures, Health Status, Functional Limitations



Chicago Income Inequality Grows

Inequality in Chicago has grown for decades; incomes declined for most residents while incomes in high-income areas rose

Neighborhood Income Change, City of Chicago 1970-2010¹

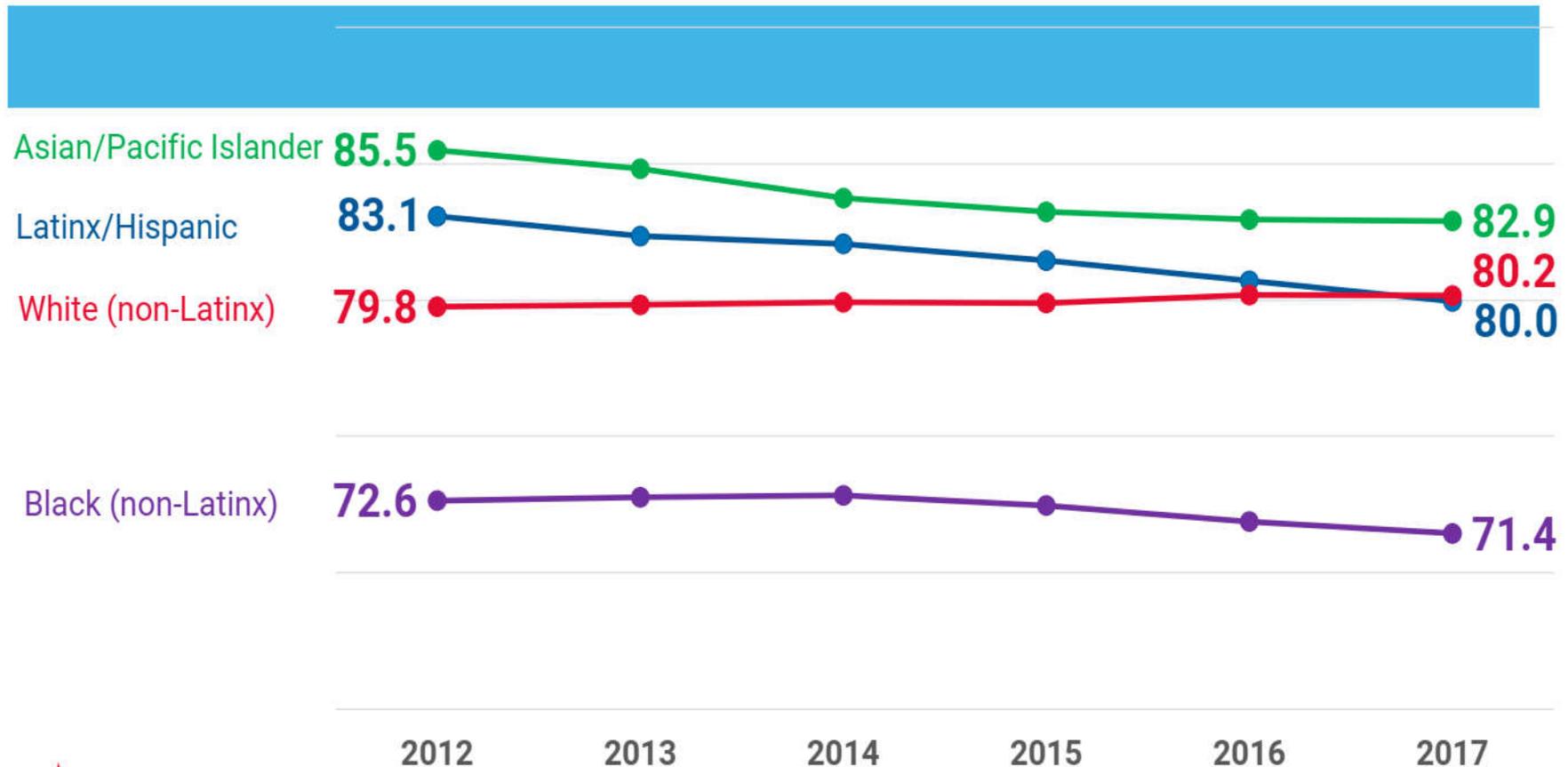


- **53% of census tracts in Chicago have experienced income decline** greater than 20%, compared to the region average
- **The proportion of City census tracts considered very-low income increased** from 17% in 1970 to 46% of Chicago in 2010²
- **Very-high income tracts grew from 3% to 15% of the City** in the same time period, with high-income residents increasingly concentrated on the North side³

1. Change in census tract average individual income, for persons age 15 and older, compared to the Chicago MSA average, 2010 vs 1970
2. Very-low income tracts defined as those with individual incomes averaging 60% or less of the regional average
3. Very-high income tracts defined as those with individual incomes averaging over 140% of regional average
Source: 1970-2000 Decennial Census, 2008-2012 Five-Year American Community Survey, Voorhees Center UIC, Cities Centre University of Toronto

CDPH: Chicago Life Expectancy Gap

RACIAL LIFE EXPECTANCY GAP



Source: Illinois Department of Public Health, Division of Vital Records, Death Certificate Data Files; US Census Bureau

CDPH Analysis – Life Expectancy Gap

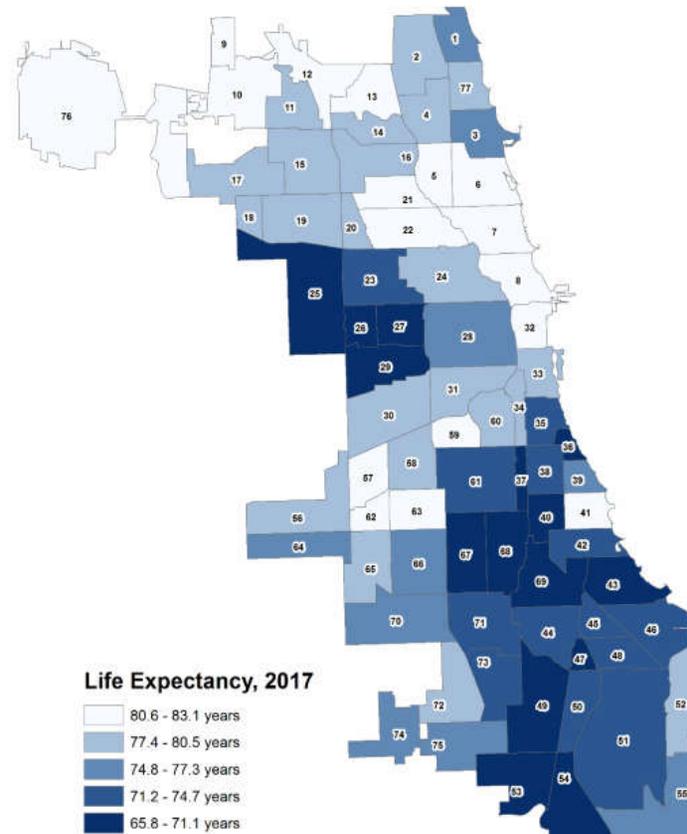
WHAT'S DRIVING THE GAP?



Source: Illinois Department of Public Health, Division of Vital Records, Death Certificate Data Files; US Census Bureau

CDPH Analysis

17-YEAR LIFE EXPECTANCY GAP BETWEEN COMMUNITY AREAS

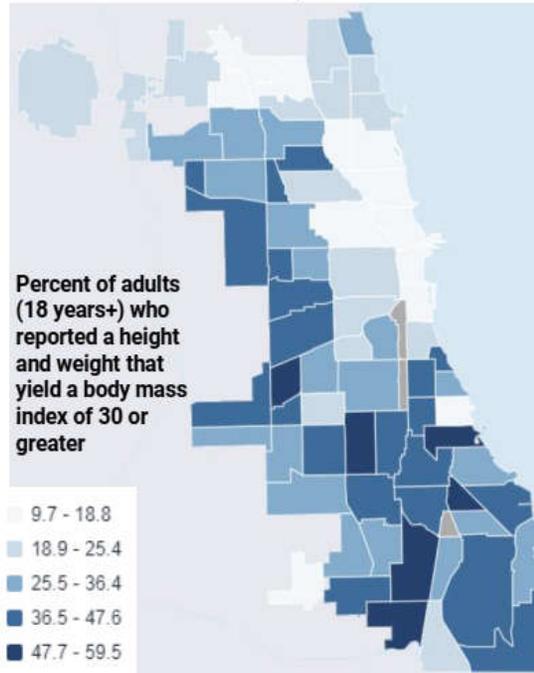


Sources: Illinois Department of Public Health, Division of Vital Records, Death Certificate Data Files; US Census Bureau

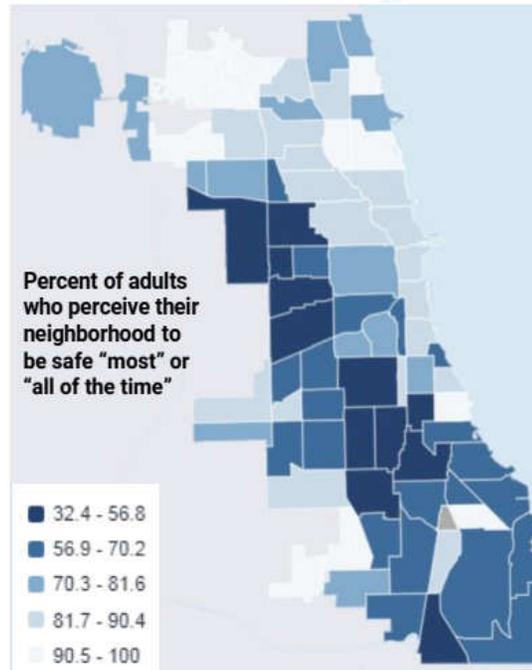
CDPH: Causes of Life Expectancy Gap

ROOT CAUSES

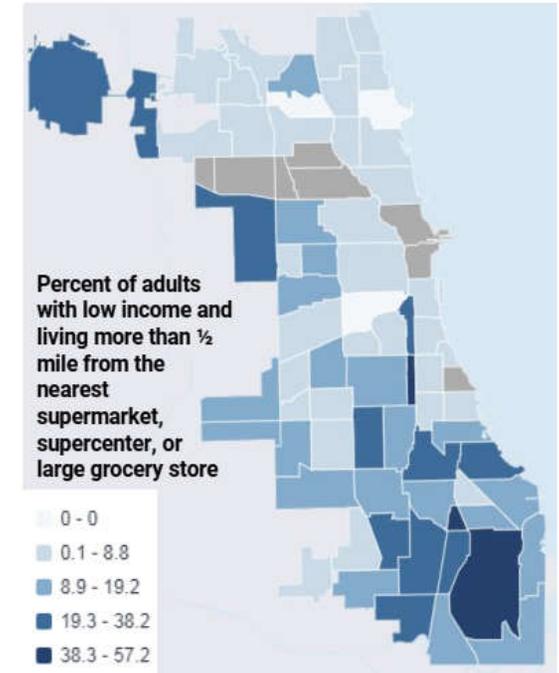
Obesity



Perceived Unsafe Neighborhood

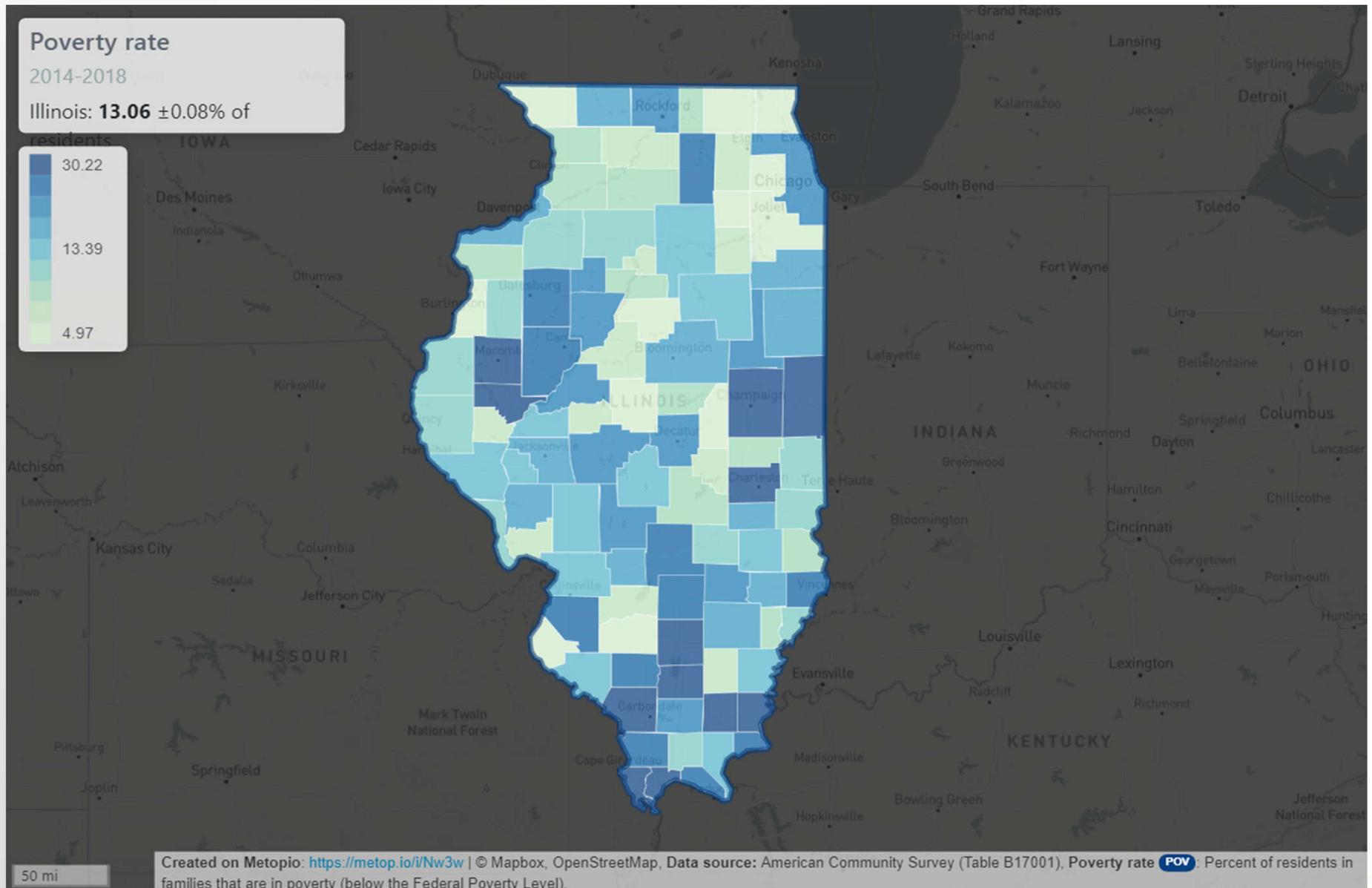


Food Access Barriers



Source: Healthy Chicago Survey, Chicago Department of Public Health; data available on chicagohealthatlas.org

Poverty is a Statewide Challenge



Sample of Illinois County Life Expectancy by Race/Ethnicity

County	Overall Life Expectancy	AIAN	Asian	Black	Hispanic	White	W to B L E Gap in Years
Champaign	80.5		91.4	73	100+	81	8
Cook	79.4	100+	88.2	73.1	85.5	80.8	7.7
Peoria	77.4		88.6	72.2	92.4	78.1	5.9
St. Clair	76.5		96.2	72.2	92	78	5.8
Madison	76.7		85.9	71.9	93.3	76.9	5
DeKalb	79.6		82.5	74.8	92.9	79.7	4.9
Winnebago	76.7		87.4	71.9	84.4	76.8	4.9
Lake	81.6		91.2	76.4	86	81.2	4.8
Sangamon	78		86.9	73.8	95.1	78.5	4.7
Rock Island	78.2		84.5	74	85.6	78.1	4.1
McLean	80.2		100+	76.1	92	80.1	4
Kane	81.5		86.9	77.2	88.2	80.9	3.7
DuPage	82.4		89.7	78.9	87.3	81.7	2.8
Will	79.7		91.2	76.8	85.6	79.3	2.5
McHenry	80.4		90.3	81.2	91	80	-1.2

Illinois

- The first column shows the overall life expectancy of that county. The next columns show the life expectancy per race. The last column (green) shows the gap in life expectancy between white and black population (white to black life expectancy gap in years).

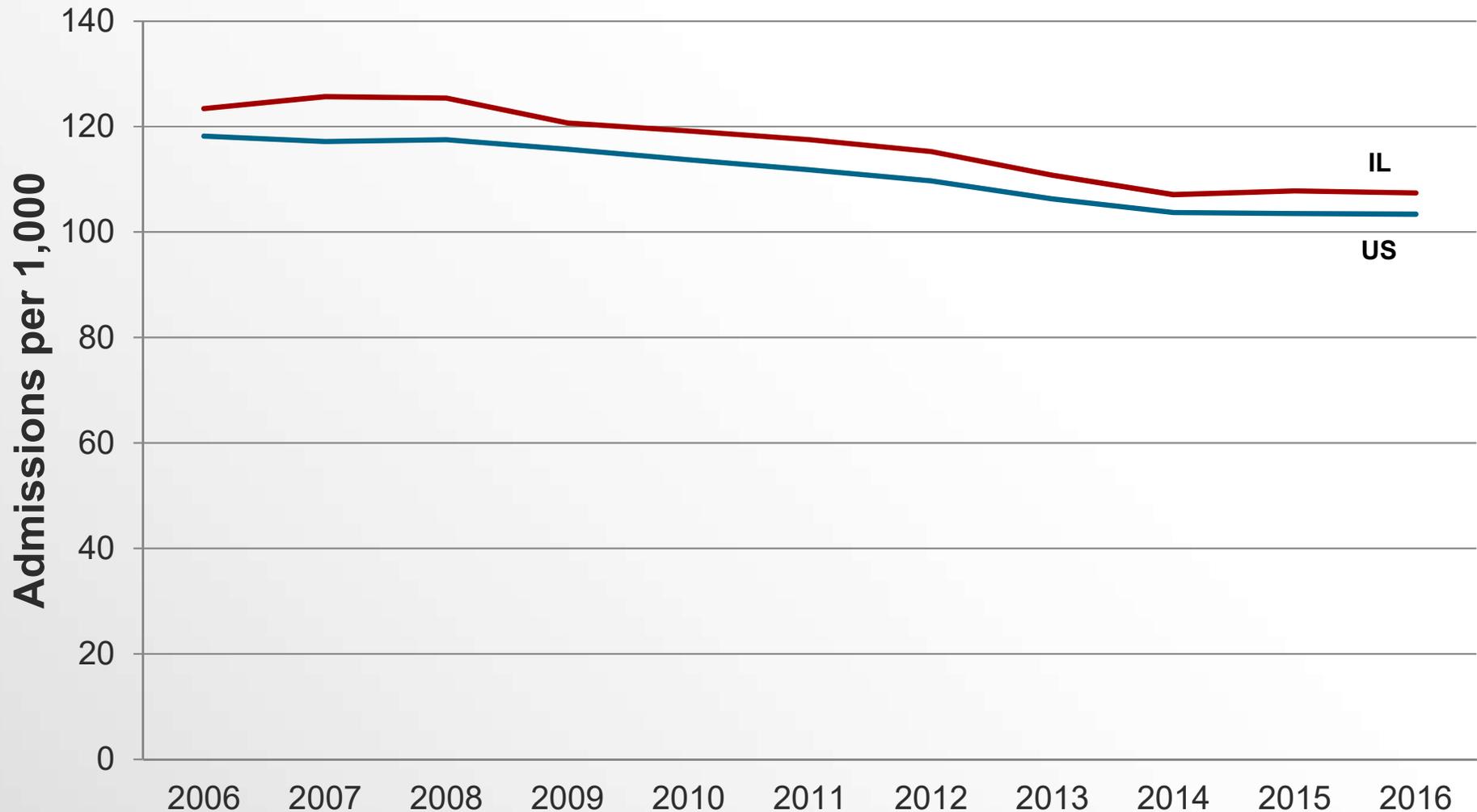
Source: County Health Rankings and Roadmaps 101, Robert Wood Johnson Foundation and University of Wisconsin Population Health Institute

How are healthcare and hospitals changing?



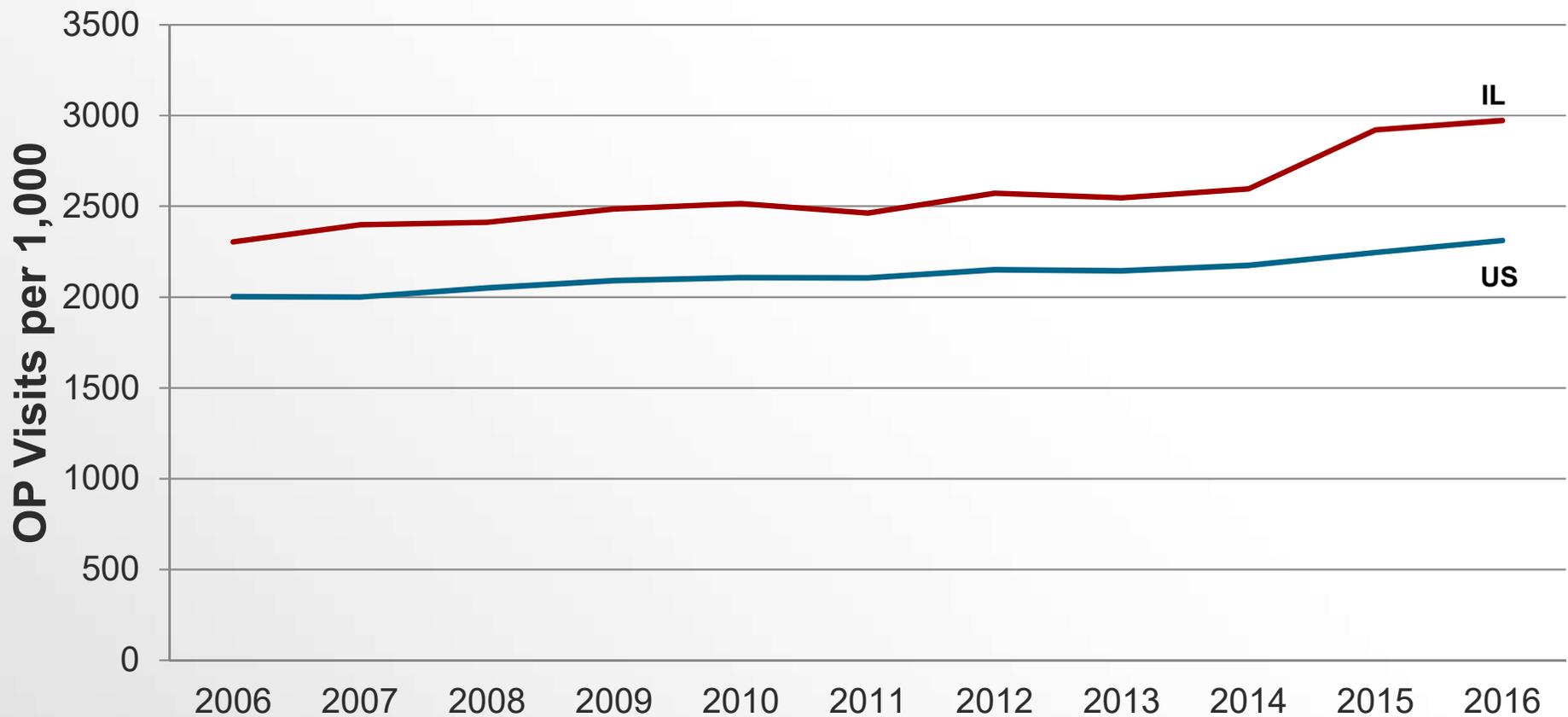
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Advances in Care and Payment Policy Reduce Inpatient Demand



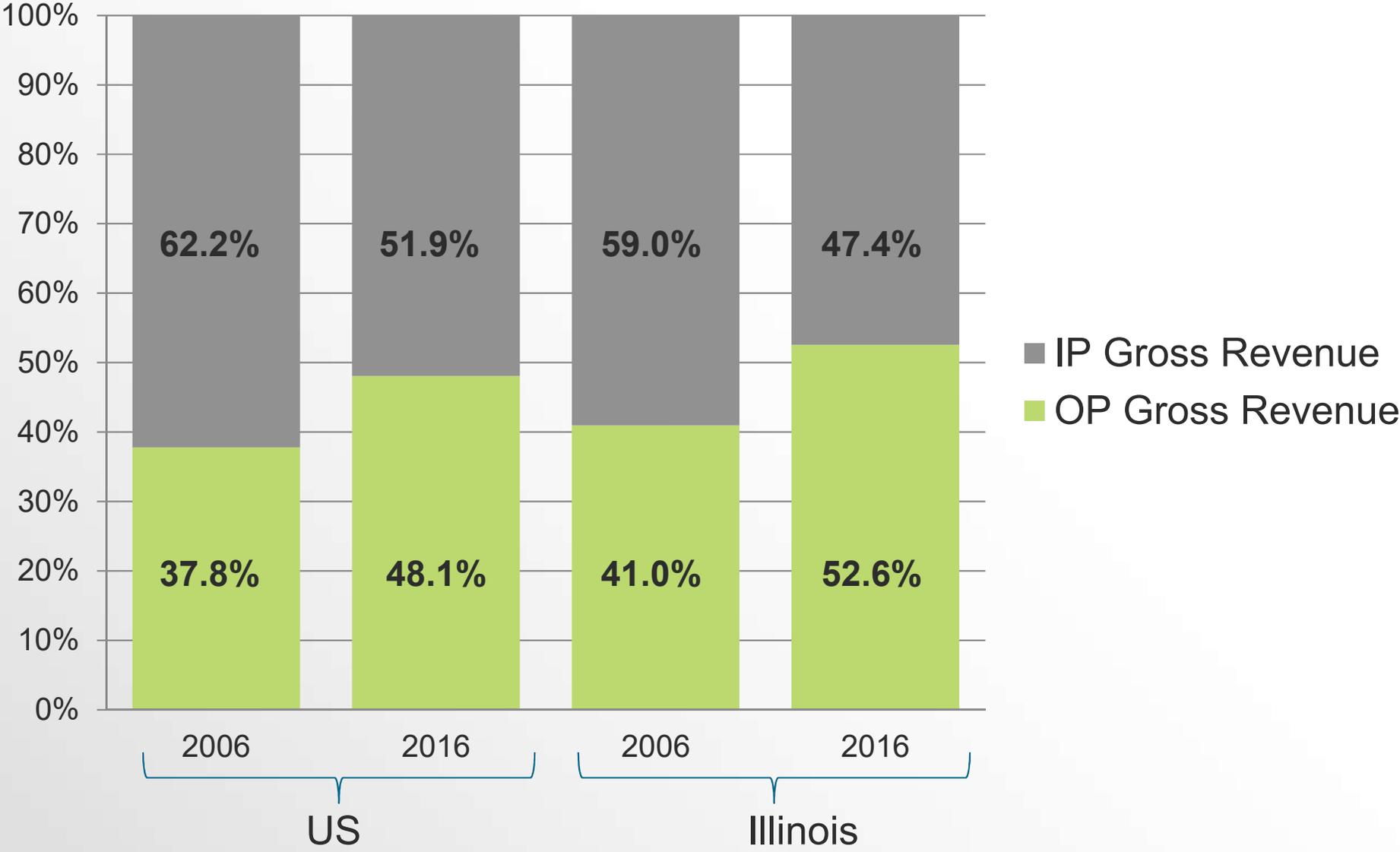
Source: AHA Hospital Statistics, 2018

Advances in Care and Payment Policy Increase Outpatient Demand



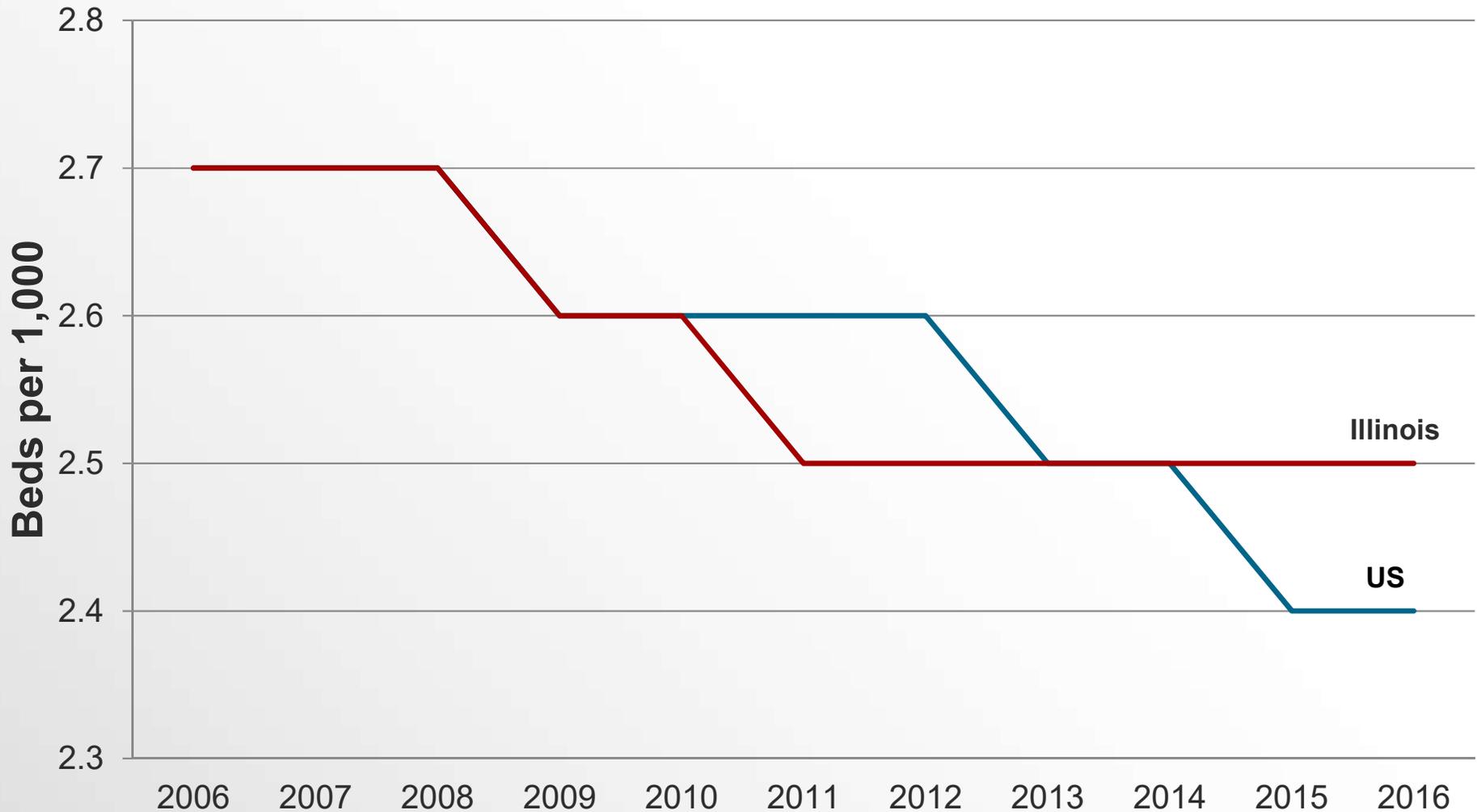
Source: AHA Hospital Statistics, 2018

Over 50% of IL Hospital Revenue is From Outpatient Services



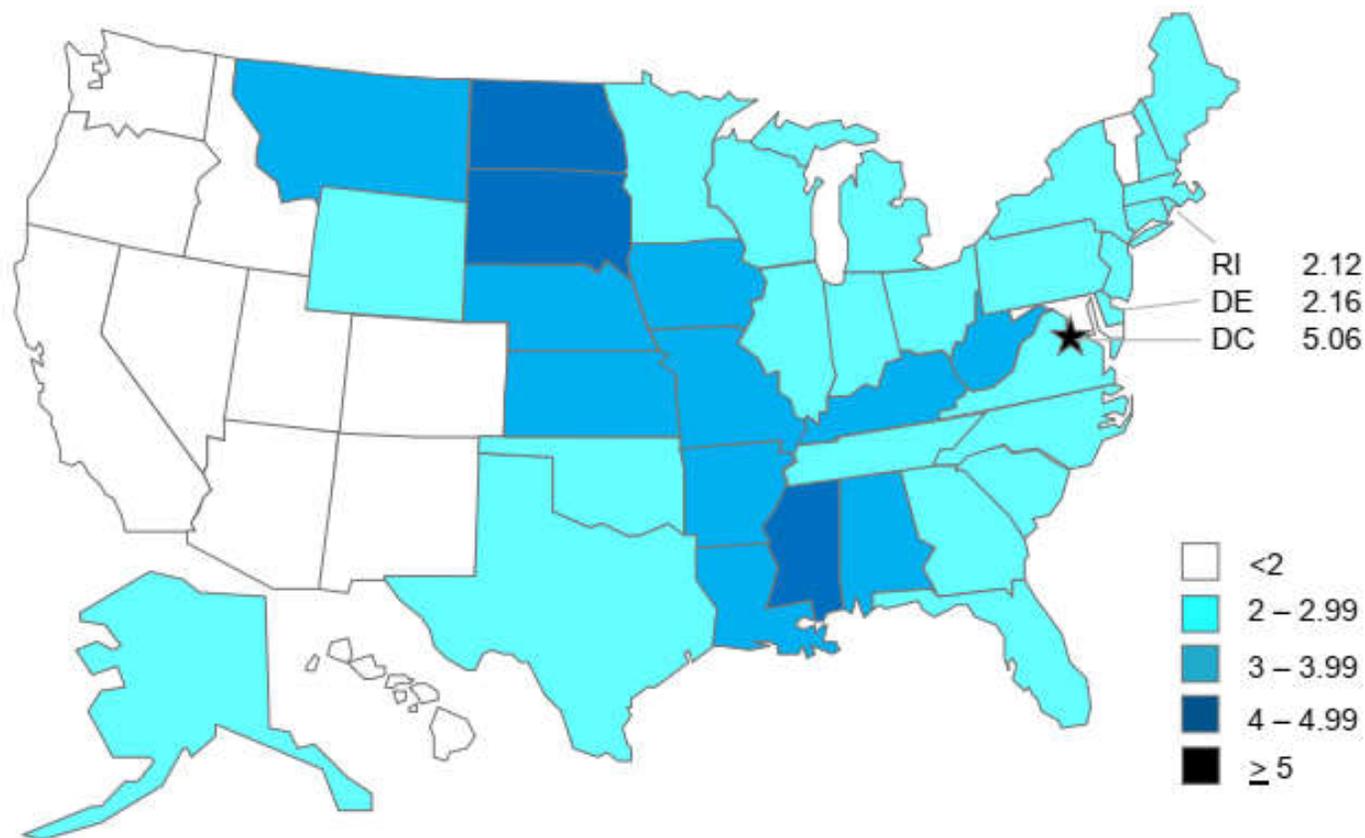
Source: AHA Hospital Statistics, 2018

IL Hospital Beds per 1,000 Population Exceed US



Source: AHA Hospital Statistics, 2018

Chart 2.3: Beds per 1,000 Persons by State, 2016



Source: Analysis of American Hospital Association Annual Survey data, 2016, for community hospitals. US Census Bureau: National and State Population Estimates, July 1, 2016.

Link: <https://www.census.gov/data/datasets/2017/demo/popest/nation-detail.html>

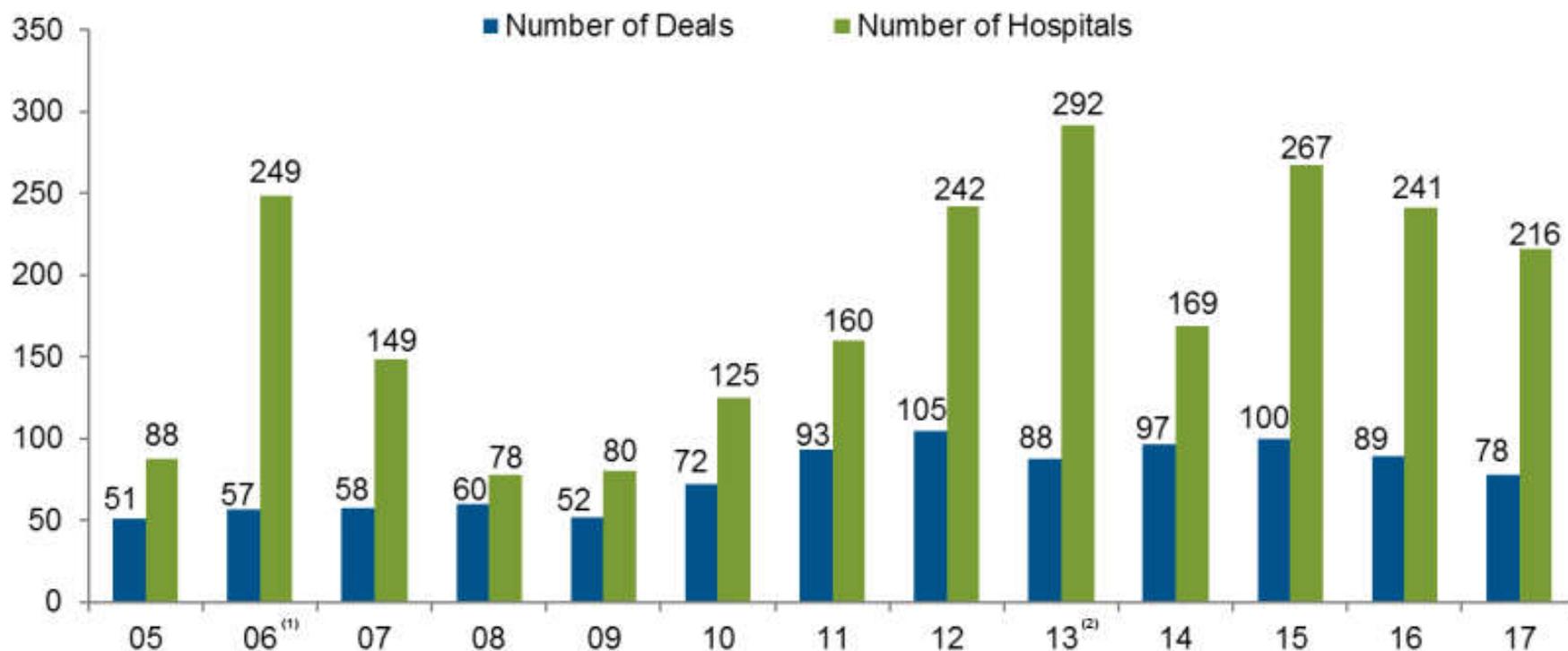
Illinois Excess Hospital Beds

(Health Facilities & Services Review Board – Hospital Bed Inventory July 2020)

Existing Excess Beds (Med-Surg/Pediatric & OB)

	<u>Med-Surg/Ped</u>	<u>OB</u>
• Statewide	6987	1207
• Region A	3968	796
• A-01	965 (North side of City)	122
• A-02	632 (West side of City)	153
• A-03	588 (South side of City)	80
• Region B	232	47
• Region C	714	81
• Region D	579	98
• Region E	493	51
• Region F	1001	134
• Therefore, some hospitals are 30 – 50% occupied		

Chart 2.9: Announced Hospital Mergers and Acquisitions, 2005 – 2017



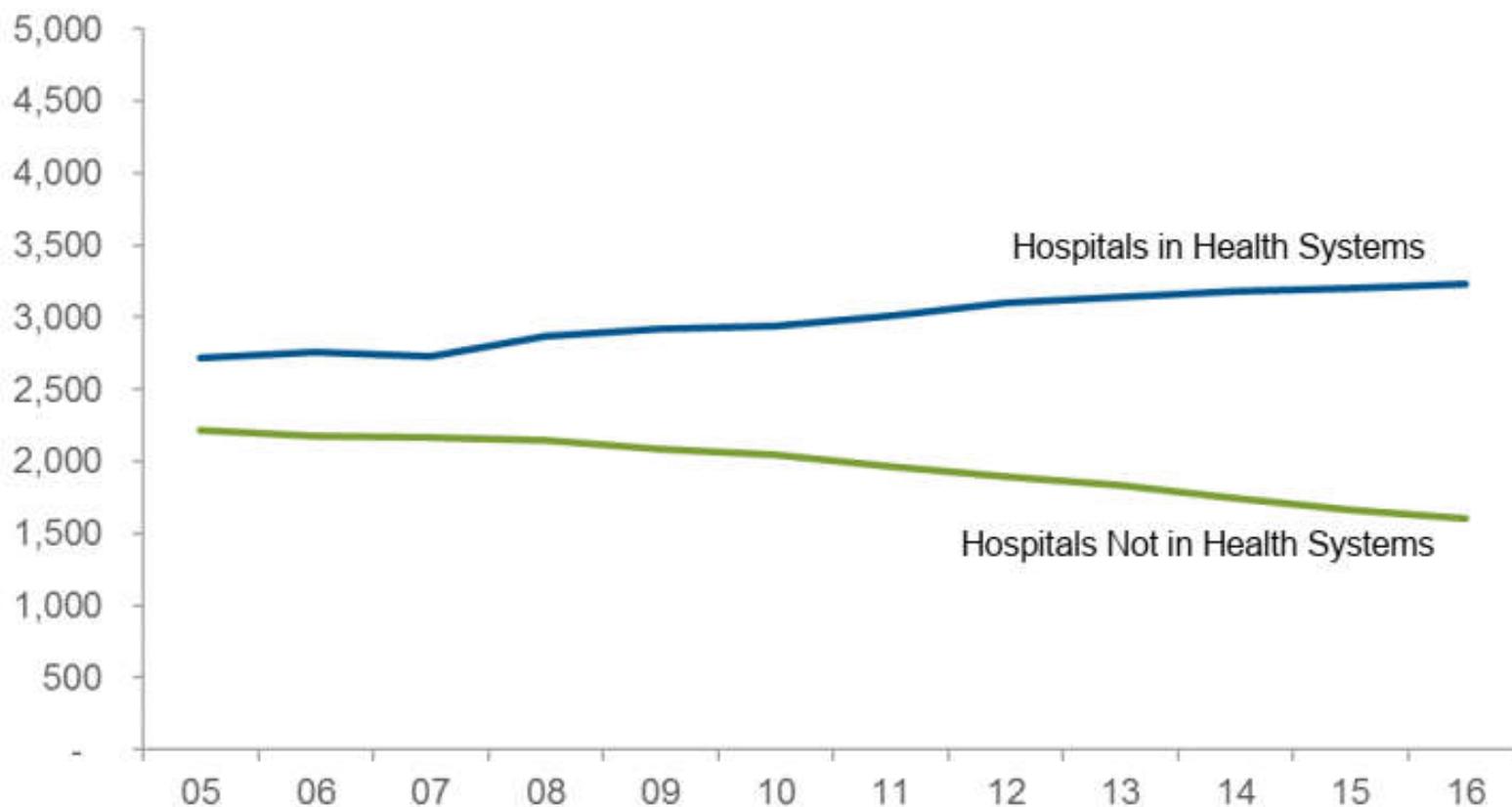
Source: Irving Levin Associates, Inc. (2018). *The Health Care Services Acquisition Report*, Twenty-Fourth Edition.

(1) In 2006, the privatization of Hospital Corporation of America, Inc. affected 176 hospitals. The acquisition was the largest health care transaction ever announced.

(2) In 2013, consolidation of several investor-owned systems resulted in a large number of hospitals involved in acquisition activity
Chart 2.10 in 2009 and earlier year's Chartbooks..



Chart 2.4: Number of Hospitals in Health Systems,⁽¹⁾ 2005 – 2016

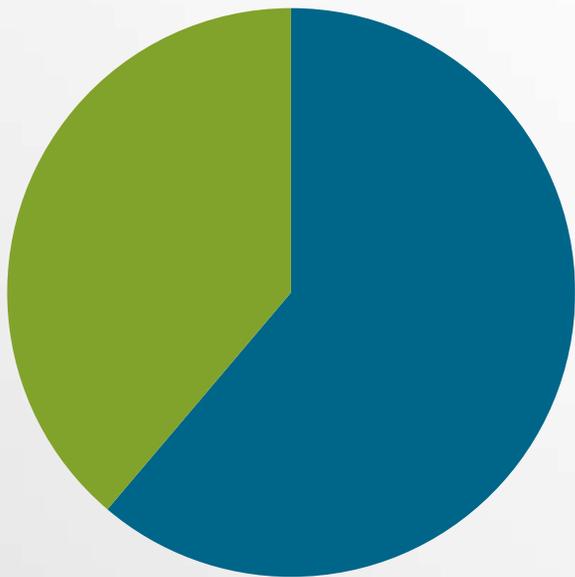


Source: Analysis of American Hospital Association Annual Survey data, 2016, for community hospitals.

⁽¹⁾ Hospitals that are part of a corporate body that may own and/or manage health provider facilities or health-related subsidiaries as well as non-health-related facilities including freestanding and/or subsidiary corporations.

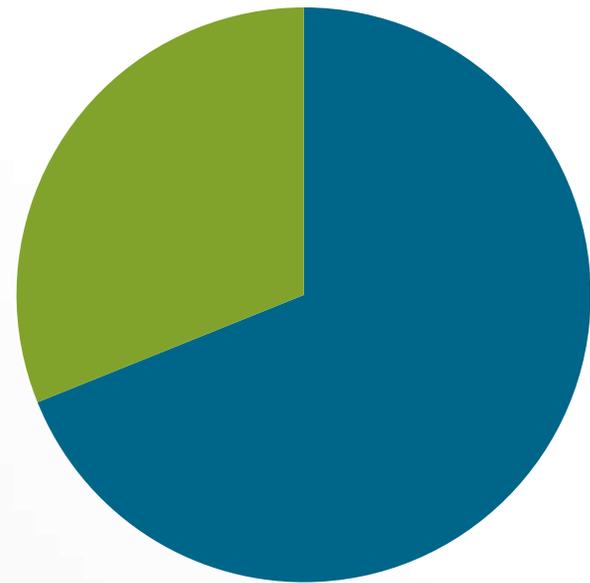
2013 – 2020 – IHA Member Hospitals System Affiliation

2013



■ In System - 123
■ Not in System - 78

2020



■ In System - 144
■ Not in System - 65

Illinois Hospital Closures 2015-2020

January 2016	HSHS St. Mary's Hospital, Streator	Closed, Sold to OSF HealthCare. Opened as a 24 hour clinic.
September 2018	Franciscan Health Chicago Heights	Closed, reopened as an urgent care/physician care center
January 2019	Vibra Hospital of Springfield	Closed
August 2019	Westlake Hospital, Chicago	Closed by Pipeline Health
October 2019	MetroSouth Hospital, Blue Island	Closed by Quorum Health Corporation
February – May 2021	Mercy Hospital, Chicago	Announced by Trinity Health July 2020

Hospital Transformation: An Opportunity to Improve Health and Healthcare



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Background

\$150 Million Hospital Transformation Fund

- 2014 – \$325M Rate Reform Transition Payments
- 2018 – \$263M Transformation Payments
- 2020 – \$150M Transformation Fund
 - **These funds must continue to be used for hospital services**

\$200 Million Hospital Transformation Capital Funds

- 1 time expenditure
- To renew & update aging infrastructure to facilitate new delivery model

The Challenge: Shifting Demands, Aging Infrastructure & Hospital Funding Pressure

- Relentless pressure from payors to reduce costs
- Dramatic shift from inpatient to outpatient
- Old hospital buildings don't fit today's healthcare model
- Patients have choice of many health care competitors
- Need for coordinated system of care with partners to address social influencers of health
- Prioritize chronic conditions – community health workers
- Fragmented care diminishes quality
 - Preventable ED visits and hospitalizations
- Ave. IL hospital – 52% of care is Medicare & Medicaid
 - On average Medicaid covers about 80% of Illinois hospitals' cost
 - On average Medicare covers about 90% of Illinois hospitals' cost

Transformation – Potential ROI

Investment in Low Income Communities

Triple Aim: Better Health, Better Care, Lower Costs

Prioritize care to treat chronic conditions

Coordinated Patient Centered Care

**Partner with community organizations to address
Social Factors of Health**

Good paying construction jobs in short term

Good paying health care jobs in long term

Good stewardship of healthcare funds

Catalyst for broader community investment

Transformation – Criteria for Proposals

- Project is based on robust community input and needs assessment
- Project aims to reduce health disparities
- Project will improve access to primary, specialty or behavioral health services
- Project will result in a coordinated system of care
- Project includes collaboration with community organizations to address Social Factors of Health
- Project includes support from others, e.g., providers, social services, community organizations

Transformation – Criteria for Proposals (cont.)

- Project is for a defined time period, up to 5 years
- Project includes defined mileposts and metrics to measure progress
- Project includes measures to evaluate its impact on access, quality, or reduction in health disparities
- Project includes a budget and path to financial sustainability
- Project includes a plan to recruit and retain employees from local community and to use local, minority owned businesses and suppliers

Moving Forward – Challenges & Scenarios

Key Challenges:

- Public's general lack of trust & confidence
- Need for clarity and specificity on future health care models
- Leaders' desire to protect their community
- Hospital & community leaders reluctance to give up local control

Scenarios:

1. Meaningful Transformation Program
2. Restore transformation funds to increase hospital rates, as originally intended

Bottom Line: Don't Leave Federal \$\$ on the table



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