

A Tale of One City: Chicago

David Dranove
Northwestern University
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It Was the Best of Times

- ▶ Chicago seems like a diverse, competitive market
 - 30+ hospitals in the city; 60+ in the metro area
 - Only two systems of any size (Advocate and Resurrection); no “must have” systems
 - 5 medical schools and 9+ major teaching hospitals
 - Many hospitals had major (\$100m+) renovations in past decade
- ▶ Similarly competitive MD market
 - Large MD groups tied to their hospital systems
 - Abundant supplies of all major specialties
 - Only one dominant specialty group (in joint surgery)
- ▶ Many insurance carriers
 - Blue Cross, United, Aetna, Cigna, Humana, etc.
 - Strong managed care presence since late-1980s

It Was the Worst of Times

- ▶ Size of region creates many geographic submarkets
 - Some hospitals and systems have local market power
 - E.g. Loyola Medical Center; ENH (now acquiring Rush North Shore)
 - NMH and UC are close to “must have” facilities
 - Physician and hospital power are linked
- ▶ BC has a dominant and stable market share
 - Often contentious negotiations between BC and hospitals
- ▶ Employers and MBGH largely passive
 - Report card and P4P movement lagging

Bleak House

- ▶ Stroger Memorial Hospital is the main provider of last resort
 - New facility cost nearly \$1b to build
 - Highly politicized
 - Widely perceived as inefficient
 - Recent tax increase to support hospital gives Chicago and Cook County highest sales tax rate in nation
- ▶ Suburban counties do not operate their own hospitals
- ▶ Perception that some hospitals dump uninsured and underinsured on mission-driven hospitals

Great Expectations

- ▶ Hospitals seek their share of lucrative suburban markets
 - ENH morphed into University Health North Shore
 - NMH seeking partnership with Lake Forest Hospital
 - Advocate, Edward, Adventist and others vie to open new hospitals in growing communities
- ▶ Many freestanding ASCs
- ▶ Despite profit opportunities, little FP presence
 - Only one FP specialty hospital (CTCA in Zion)
 - Reese Hospital passed thru many hands before closing
- ▶ Hospital expansion stymied by CON

The Old Curiosity Shop

- ▶ Illinois is one of the few remaining states with a strong CON law
 - Until 4 years ago, CON board had not approved a new hospital in 20+ years
 - Hospitals grew haphazardly
 - Incumbents used bed licenses to block entry
- ▶ CON board hit by scandal linked to Rezco protégé
 - Board reorganized twice and has lost legitimacy
- ▶ Lewin report came down hard on CON
 - Due to sunset in 2009
 - State legislative panel reviewing options

Hard Times

- ▶ Charity care has emerged as a major issue
 - Some hospitals used debt collectors to pursue large payments from uninsured patients
 - Some very profitable NFP hospitals appear to provide minimal charity care
- ▶ State AG Madigan seeking new ways to enforce NFP hospital community benefit standards
 - Define minimum thresholds
 - Narrow definition of community benefit
- ▶ New legislation to cap charges to uninsured
 - Vetoed by Governor Blagojevich
 - Political infighting with AG Madigan

Please sir, may I have some more?

- ▶ Governor Blagojevich has a proactive health agenda
 - Uses “amendatory veto” power
 - Expanded coverage through “All Kids” program
 - Over 1.3 million enrolled
 - Substantial concerns about crowd-out
- ▶ Medicaid shortfalls large and growing
 - No additional funding as All Kids grows
 - State is 3–6 months behind on provider payments
- ▶ Governor wants to expand coverage to all adults
 - No sources of funding have been identified
 - Governor believes he can expand coverage without funding

What the Dickens?

- ▶ Difficult to predict where Chicago and Illinois health care are heading
 - Employers remain too fragmented to take control
 - Blue Cross remains passive, content to rely on market clout for strategic advantage
 - Do not look to Chicago for innovations in financing or organization of healthcare delivery
 - ▶ Divide between have and have-nots will grow
 - Battles over CON will either intensify or disappear
 - Medicaid funding will lag further
 - ▶ Safety net will be stressed
 - Funding sources appear to be stretched to limit
 - Will nonprofits be asked to do more?
 - ▶ Do not overlook politics
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