



HealthLeaders-InterStudy Market Overview Chicago, Illinois

Counties Covered: Illinois: Cook, DeKalb, DuPage, Grundy, Kane, Kendall, Lake, McHenry, Will; Indiana: Jasper, Lake, Newton, Porter; Wisconsin: Kenosha
Major Cities Covered: Chicago, Gary, Ind., Kenosha, Wis.

Market Stage

This Market Is DEVELOPING

MARKET INDICATORS

Situation Analysis

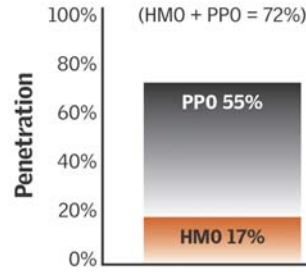
Health Systems and Hospitals	O
Physicians	O
Health Plans	+
Pharma	O
Employers	O

+ Means market dynamics favor this segment of the industry

O Means market dynamics are neutral

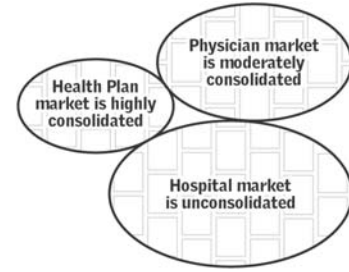
- Means market dynamics are unfavorable

HMO, PPO Penetration



Source: HealthLeaders-InterStudy, as of July 2004

Market Consolidation



Source: HealthLeaders-InterStudy, 2005

Leading Organizations

HMOs*	Enrollment	Mrkt Share	PPOs	Enrollment	Mrkt Share
Blue Cross and Blue Shield of Illinois	760,000	47%	Blue Cross and Blue Shield of Illinois*	3,500,000	68%
Humana Health Plan	271,473	17%	UnitedHealthcare of Illinois	364,371	7%

Source: HealthLeaders-InterStudy HPD, as of July 2004. All HMO products

Source: HealthLeaders-InterStudy Health Plan Data, as of July 2004. * Estimated

Medicaid HMOs	Enrollment	Mrkt Share	Medicare HMOs	Enrollment	Mrkt Share
Harmony Health Plan	55,700	24%	Humana Health Plan	39,015	87%
Managed Health Services	38,551	17%			
AMERIGROUP	33,952	15%			

Source: HealthLeaders-InterStudy HPD, as of July 2004

Source: HealthLeaders-InterStudy HPD, as of July 2004

Health Systems	Total # of			Physician Organizations	Total # of Physicians
	Hospitals	Beds	Mkt Share*		
Advocate Health Care	10	2,522	13%	University of Chicago Physicians Group	724
Resurrection Health Care	9	2,903	10%	Advocate Health Centers	170
The Rush System for Health	5	1,267	5%		

Source: HealthLeaders-InterStudy, 2005. * Market share based on inpatient discharges

Source: HealthLeaders-InterStudy, 2005

Employers and Number of Employees

Federal Government	88,000	Cook County	26,500
Chicago Public Schools	39,400	Advocate Health Care	25,200
Jewel-Osco	36,700	UPS	19,600
City of Chicago	36,000	State of Illinois	17,200

Source: Book of Lists, Crain's Chicago, 2005

Pharmacy Chains

CVS, Osco, Walgreens, Wal-Mart

Source: HealthLeaders-InterStudy, 2005



Management Summary

Outlook

The greater Chicago healthcare market continues to evolve in response to an increasing suburban population, the chronic challenge of covering the cost of care for inner-city residents without lucrative commercial insurance and emerging health plan efforts to develop tiered hospital networks.

Chicago is undergoing a multibillion-dollar construction boom that will add one new hospital and several replacement hospitals, largely in the suburbs, as well as add services and re-engineer space at existing hospitals to provide more complex and high-tech treatments. Although the pace of hospital closings, consolidations and mergers has slowed in recent years, the larger health systems continue to adjust their hospital holdings and services to strengthen their bottom lines. The stronger hospital systems in Chicago continue to be those with multiple facilities in diverse locations, such as **Advocate Health Care** and **Resurrection Health Care**, which can balance stronger profits at hospitals in affluent, commercial insurance-rich suburbs with weaker balance sheets from inner-city, state-reimbursement-limited hospitals. Look for renewed consolidation activity in a few years as some local hospital systems run out of ways to compete cost-effectively.

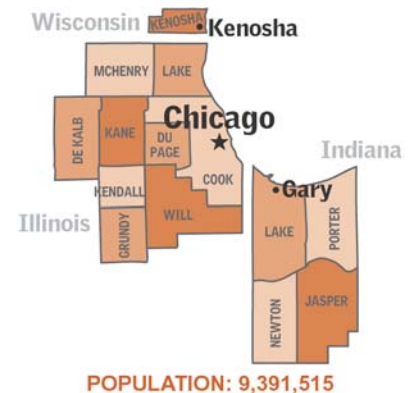
HMOs continue to struggle in the Chicago market, where national employers have long opted for PPOs with rich benefits and wide network access in order to retain their employees in a highly competitive job market. HMOs may become more competitive among cost-conscious employers by focusing on a two-fold strategy of product innovation, including high-deductible consumer-driven benefit plans and of targeting individual and small to medium-sized businesses. **Blue Cross and Blue Shield of Illinois**, which dominates Chicago and Illinois' HMO and PPO enrollment, has introduced the first tiered hospital network to the market. The Blues carrier's efforts at promoting quality standards among group hospitals may affect local hospital finances, depending on consumer response to the tiered network options.

Meanwhile, the pharma market faces an uphill battle as the leading health plans successfully transition members to generic prescription drugs.

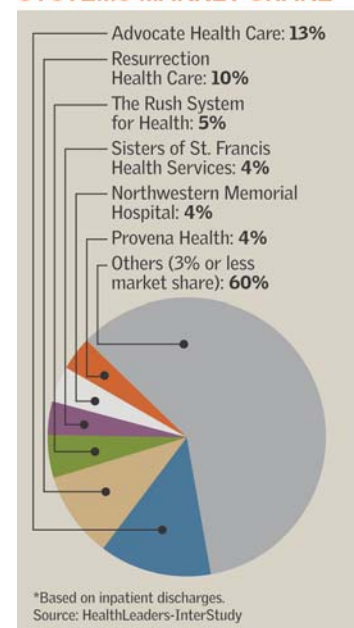
Health Systems and Hospitals (page 5)

The highly fragmented character of Chicago's hospital market is reflected in the fact that the largest health systems—Advocate Health Care and Resurrection Health Care—only capture a combined 23 percent market share. The broad geographic reach of Advocate and Resurrection's service area is unusual for Chicago, as it is a market composed predominantly of smaller, neighborhood-based hospital systems.

Duplication of services continues to be a financial problem for the Chicago market, as patients expect the convenience of one-stop shopping for their healthcare needs. In recent years, Advocate and Resurrection have actively reconfigured their hospital services by closing low-performing facilities, such as Advocate's Ravenswood Medical Center, and shifting acute-care hospitals, such as Resurrection's Holy Family in Des Plaines, to a specialty focus.



CHICAGO HEALTH SYSTEMS MARKET SHARE*





Industry observers expect Chicago's market to undergo another round of aggressive consolidation as hospitals and health systems search for additional capital to keep pace with technology demands.

The reorganized Illinois Health Facilities Board, which oversees all hospital construction statewide, appears to be taking a hard-line approach to healthcare expansion. Although it approved the first new hospital in 20 years (i.e., not a replacement facility), the board recently rejected three other new hospital proposals, noting that need, not convenience, should drive expansion of the hospital market.

Physicians (page 20)

Physicians in the Chicago area are preparing for health plans to introduce quality and cost-effective components into reimbursement contracting. Aetna Inc. is bringing its Aexcel Network to the area in 2006. The network, which is being introduced in 20 markets, including Atlanta and Dallas, is organized as a subset of the Aetna specialist network in each market. It focuses on 12 high-cost specialties, including cardiothoracic surgery and neurosurgery. The goal of the network, which is being offered to self-funded accounts, is to reduce costs by steering health plan members to physicians with demonstrated clinical performance and cost efficiency.

Health Plans (page 22)

Contract negotiations between Chicago's payors and providers have become significantly more cooperative in recent years, especially between the area's dominant health plan, Blue Cross and Blue Shield of Illinois, and Advocate Health Care. PPO membership continues to dominate the Chicago-area managed care market. The PPO preference is driven, at least in part, by Chicago-based regional and national employers who need wider PPO networks to serve employees at multistate sites.

HMO market share has remained at 17 percent for several years. Some health plans are attempting to grow HMO membership by offering consumer-driven products. Despite their membership struggles, HMOs are consistent moneymakers thanks to substantial commercial premium increases and tight control of medical expenses. Look for HMOs to continue their hardball tactics in contract negotiations with health systems to hold down costs and preserve profits.

Blue Cross and Blue Shield of Illinois, the dominant player in both the HMO and PPO market, has developed the state's first tiered hospital network and added it to the company's PPO product line. The lower-cost product offers a hospital network limited to facilities that are rated highest for quality measures. It is too early to tell how a tiered hospital network will affect Chicago health plan members' choices among hospitals for acute care.

Medicaid/Medicare (page 26)

The Medicaid managed care program in Illinois may revert to a fee-for-service model following a \$70 million cut in state Medicaid managed care funding. The voluntary program attracted only 13 percent of the 1.2 million Medicaid eligibles in the state, with enrollment limited to the Chicago and East Saint Louis areas. The Legislature has opposed establishing any mandatory program, either in certain localities or statewide. Although negotiations are under way to restore funding for a Medicaid managed care program, success of this effort appears unlikely in light of recent state budget shortfalls.

Recent increases in Medicare reimbursements have renewed Humana Health Plan's interest in returning to the Chicago Medicare market. As well, newcomer HealthSpring of Tennessee will soon offer a Medicare Advantage plan in the Chicago area. At present, only 4 percent of local eligibles are enrolled in Medicare Advantage products. Health plans have contended that, previously, low reimbursement limits made it impossible for them to maintain strong provider networks that would attract members. It is too early to tell if the new Medicare reimbursement rates will significantly increase local Medicare enrollments. Medicare PPOs are not expected to get off the ground in the Chicago area;



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health plans are cherry-picking affluent counties outside the Chicago market where PPO profits will be more easily achieved.

Pharma (page 28)

The status quo in the local pharma market, which is generally marked by slow growth in pharma profits, is not expected to change any time soon. Even though pharma-favorable PPOs are locally strong and the area's population is increasing, the growth potential of the Chicago pharmaceutical market is challenged by cost-control efforts of the leading health plans. Successful programs to promote generic prescription drugs and control pharmacy expenditures through tiered formularies have helped cut costs and reduced the market for brand-name drugs.

Legislation (page 29)

The 94th Illinois General Assembly, which will meet through 2006, has already passed a medical malpractice bill that is expected to be signed by the governor. After years of debate and dozens of bills, the Legislature agreed to cap medical malpractice awards at \$500,000 for physicians and \$1 million for hospitals. SB 475 also allows physicians to say "I'm sorry" without their statement being used against them. In other actions, the Legislature agreed to allow hospitals with fewer than 100 beds to join the state insurance pool to purchase employee insurance. It also agreed to increase Medicaid payment to hospitals to 87 percent of cost. The General Assembly adjourned in June 2005, but will return in the fall for a veto session to consider the governor's veto of approved bills.

Employers (Page 30)

Healthcare costs in the Chicago-area are increasing at a slower rate, according to a recent employer survey, which pegged the local increase at 10 percent in 2005 versus 11 percent in 2004. Amid the usual news of premium and copayment increases, the survey reflected a significant increase in employer interest in consumer-driven health plans, with 45 percent of those surveyed considering some version of a consumer-driven health plan. Among the possible explanations of the heightened interest are increased marketing by managed care organizations and attractive pricing for young and healthy employees.

More than 60 employers have agreed to offer high-deductible health insurance plans for low-income workers, who are entirely responsible for premiums and copayments. UnitedHealthcare and Humana Health Plan are participating in the employer program. Coverage options under the low-cost health plans range from a discount drug card to major medical coverage.

HealthLeaders-InterStudy, Chicago Market Overview

Analyst: M. Dick. Editors: P. Powers, M. Rogers, L. Hargett

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Health Systems and Hospitals



**SITUATION ANALYSIS
MARKET SCORE**

Score	Definition
+	Market dynamics favor hospitals and health systems. Look for stable or improved hospital profitability, at the expense of managed care organizations, and increased hospital control of medical management.
O	Market dynamics are neutral for hospitals and health systems. Look for the status quo to continue.
-	Market dynamics are unfavorable for hospitals and health systems. Look for stable or improved health plan profitability, at the expense of hospitals and health systems, and increased health plan control of medical management.

The 101-hospital Chicago healthcare market spans 14 counties in north central Illinois, northwestern Indiana and southeastern Wisconsin. Most Chicago-area hospitals are associated with a health system, ranging in size from small, community-based systems to Advocate Health Care, a regional system with 10 hospitals. Chicago is a predominantly nonprofit hospital market, with only four for-profit hospitals. In addition, there are three federal Veterans Affairs hospitals and one Shriners Hospital in the area.

Two health systems lead, but do not dominate, the Chicago hospital market. Advocate Health Care and Resurrection Health Care account for 13 percent and 10 percent, respectively, of inpatient discharges, based on the most recent federal Medicare hospital statistics for 2002. The remaining local health systems and hospitals each account for 5 percent or less of the area's fragmented provider market. Healthcare delivery in the Chicago market is largely neighborhood-based, which has resulted in a high degree of duplication as patients expect to receive healthcare close to home. The six academic medical centers, like The Rush System for Health, are the exception because they offer technically sophisticated and specialized services that attract patients from throughout the Chicago region and beyond.

An estimated \$2.5 billion in construction is planned, under way or has been recently completed in the Chicago area, including one new hospital planned by Adventist Health System, a replacement hospital for the women's hospital at Northwestern Memorial and the recently completed Comer Children's Hospital at the University of Chicago. In addition, Children's Memorial Hospital continues to look for a construction site.

Local hospitals continue to invest in technology, such as physician order entry systems and electronic ICUs, to aid in patient care and help reduce costs.

Leading Health Systems			
Health System	Full-Risk Lives	Partial-Risk Lives	Pharmacy-Risk Lives
Advocate Health Care*	40,000	400,000	40,000
Resurrection Health Care	N/A	N/A	N/A
The Rush System for Health	N/A	N/A	N/A
Evanston Northwestern Healthcare	N/A	N/A	0

Source: HealthLeaders-InterStudy, 2005. *As of 2004.



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Market Stage

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Advocate Health Care

Description

Advocate Health Care is a tightly integrated healthcare delivery system that includes 10 hospitals and more than 200 treatment locations throughout the Chicago area. With an estimated 25,200 employees, Advocate Health Care is the sixth-largest employer in the 14-county Chicago-Gary-Kenosha area and the second-largest in the private sector. Its primary academic and teaching affiliation is with the University of Illinois at Chicago Health Sciences Center.

For several years, the nonprofit health system has maintained a 13 percent share of the area's total hospital discharges and an 11 percent share of licensed inpatient beds. The IDS's average daily occupancy rate is 76 percent, with Advocate Christ Medical Center, Advocate Good Samaritan Hospital and Advocate Good Shepherd each posting an average daily occupancy rate of more than 80 percent. The health system's average length of stay is 4.1 days, according to the most recent federal Medicare hospital data for 2002. Medicare and Medicaid account for an average 33 percent and 18 percent, respectively, of its inpatient volume.

The IDS's flagship facility, the 631-bed Advocate Christ Medical Center, is the fourth-largest hospital in the area. The teaching, research and referral medical center has a medical staff of more than 900 physicians representing, more than 60 specialties and subspecialties, including cardiology, oncology, surgical services and women's health. Advocate Christ Medical houses one of four Level I trauma centers in the Advocate system. The others are located at Advocate Good Samaritan, Advocate Illinois Masonic Medical Center and Advocate Lutheran General Hospital.

Advocate Christ Medical Center and Advocate Lutheran each include children's hospitals that offer extensive medical and surgical services for pediatric patients. Both hospitals house Level III perinatal centers. Advocate Lutheran also houses a Level III pediatric intensive-care unit; Christ Medical houses a Level I pediatric trauma center.

Advocate Health Care is sponsored by the Evangelical Lutheran Church in America and the United Church of Christ. The IDS was formed in 1995 through the merger of Lutheran General HealthSystem and Evangelical Health Systems Corp.

Year Founded: 1995

Physicians Employed: 550

Physicians Affiliated: 6,000

Local Hospitals: 10

Local Hospital Beds: 2,522

PBM: Caremark/AdvancePCS

GPO: N/A

- ❖ Ten hospitals with 2,522 beds:
 - Advocate Christ Medical Center, Oak Lawn, Ill, 631 beds. (Includes Advocate Hope Children's Hospital.)
 - Advocate Lutheran General Hospital, Park Ridge, Ill., 519 beds. (Includes Advocate Lutheran General Children's Hospital.)
 - Advocate Illinois Masonic Medical Center, Chicago, 365 beds.
 - Advocate Good Samaritan Hospital, Downers Grove, Ill., 279 beds.
 - Advocate South Suburban Hospital, Hazel Crest, Ill., 235 beds.
 - Advocate Trinity Hospital, Chicago, 212 beds.
 - Advocate Good Shepherd Hospital, Barrington, Ill., 146 beds.
 - Advocate Bethany Hospital, Chicago, 135 beds.
- ❖ Advocate Health Partners, an umbrella group for eight PHOs with 2,700 multispecialty physicians.
- ❖ Four medical groups with more than 550 physicians:
 - Advocate Health Centers with 170 physicians at 16 locations.
 - Advocate Illinois Masonic Physician Group with 70 physicians at 11 locations.
 - Advocate Medical Group with 190 physicians at 18 locations. PMG physicians are on staff Advocate Lutheran and Advocate Good Shepherd.
 - Dreyer Medical Clinic with 125 physicians at 11 locations.
- ❖ Advocate Medical Campus—Southwest, with ambulatory surgery, diagnostic imaging, primary and specialty outpatient services.
- ❖ Advocate Family Care Network (behavioral health) with 10 locations.
- ❖ Advocate Home Health Services.



News and Analysis

A solid financial performance has enabled Advocate Health Care to fund a myriad of capital projects while limiting its debt and maintaining liquidity. Since 2002, revenues have held steady in the \$2.6–\$2.8 billion range, while operating income has increased 65 percent to \$73.8 million. A number of factors have contributed to Advocate's financial solidity, including the sale of many ancillary services enabling it to focus on core competencies of healthcare delivery. In addition, its enviable geographic service area allows the IDS to maintain and grow its market share, because it includes hospitals in several benefit-rich and strong commercial payor suburban areas where patients can financially support advanced services and technologies provided by the health system.

Advocate Health Care has an estimated \$188 million in construction projects under way or recently completed, including:

- A \$29.6 million expansion of the emergency department at Advocate Good Shepherd Hospital that will increase its ER capabilities by almost 30 percent by 2007.
- A \$28 million expansion to Advocate Christ Medical Center that will increase its operating suites to 56 and its intensive-care beds to 98 in 2006.
- A \$44.5 million expansion at Advocate Lutheran General Hospital that will consolidate its outpatient cancer, breast care and imaging services in 2006.
- A \$41.4 million renovation at Advocate Illinois Masonic Medical Center that includes capital projects, clinical technology and upgraded amenities that will be completed in 2005.
- A \$35.7 million cardiac-care center opened at Advocate Good Shepherd Hospital in 2004 that has enabled the hospital to provide expanded cardiac services, including cardiac catheterizations and open-heart surgeries. The project also included 43 medical/surgical and intensive-care-unit beds.
- An \$8 million renovation to the diagnostic radiology department at Advocate Lutheran General Hospital, completed in 2004.

Advocate Health Care's application to construct a \$220 million, 144-bed acute-care hospital on the campus of the Advocate Medical Campus—Southwest in Tinley Park was denied in November 2004. The Illinois Health Facilities and Planning Board noted that there were already nine hospitals within 15 to 30 minutes of the proposed facility in the southwest suburbs of Chicago, where patients are more likely to carry health insurance.

Advocate Health Care is considered one of the most wired health systems in the country and in recent years has stepped up its technology investment by shifting resources from other areas of the health system to invest in additional technology projects, including the implementation of electronic medical records. In 2004, Advocate restructured its business development office to redirect \$7.9 million to ongoing technology efforts, which include eICU, a robotic prescription distribution system and automated medication storage. The \$10 million eICU program has been implemented at more than 200 ICU beds in eight Advocate hospitals. The technology, which costs \$3 million annually to maintain, includes 24-hour, real-time audio and video monitoring of ICU patients at different hospitals, all from one central location. The technology has allowed Advocate to achieve a safety goal of having intensivists available 24/7 for all ICU patients. The pharmacy robot and medication storage system has been implemented at Advocate Lutheran General. The system uses bar codes and robotic technology to store and dispense drugs for inpatient use.

Advocate Health Care seems to have emerged relatively unscathed from the loss of a provider contract with UnitedHealthcare of Illinois. Advocate left the UnitedHealthcare provider network in January 2004, after months of negotiations failed to produce an agreement. UnitedHealthcare's members accounted for an estimated 8 percent of the IDS's managed care patient service revenue in 2003. The



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Market
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negotiating issues included the health plan's efforts to cap the rates that it paid for several outpatient procedures, including physical therapy.

Other network changes include Advocate Healthcare's elimination from the BlueChoice POS network after BlueChoice decided to no longer contract with several high-cost hospitals that did not meet its agreed-to quality indicators. Advocate renewed its contract to remain in the Blues plan's HMO and PPO networks through at least 2006. Meanwhile, Great-West Healthcare has added Advocate Health Care to its HMO and HMO POS network. Great-West Healthcare has 10,000 HMO members in the Chicago area.

In March 2005, Verispan, a Chicago-based health information company, ranked Advocate Health Care among the top 15 most integrated healthcare systems in the nation. Verispan's annual list rates local and regional healthcare systems on factors such as access, hospital utilization, services and technology, and financial stability. In July 2005, for the seventh consecutive year, *U.S. News & World Report* named Advocate Lutheran General Hospital among America's best hospitals in eight out of 17 medical specialties.



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Resurrection Health Care

Description

Founded in 2000, Resurrection Health Care is a nonprofit Catholic healthcare system that is governed jointly by its two sponsoring religious congregations—the Sisters of the Holy Family of Nazareth and the Sisters of the Resurrection.

Resurrection Health’s inpatient facilities are all located in Cook County, primarily in outlying Chicago neighborhoods and suburban areas. Its nine Chicago-area hospitals account for 10 percent of the region’s total inpatient hospital discharges and 12 percent of licensed inpatient beds, according to the most recent federal Medicare hospital data for 2002. Resurrection Health Care’s average daily occupancy rate is 66.8 percent and its average length of stay is 4.2 days. Medicare and Medicaid account for an average 39 percent and 20 percent, respectively, of its inpatient volume.

Its flagship facility is 689-bed Resurrection Medical Center, the largest hospital in the Chicago area. Located near O’Hare Airport, the medical center’s specialties include advanced cancer treatment, open-heart surgery and rehabilitation services. Its pediatric specialty center, which is operated in conjunction with Loyola University Medical Center, provides care for children in more than 20 specialties, including cardiology and psychiatry. The medical center houses a state-designated Level II perinatal center.

News and Analysis

Resurrection Health Care is in the process of converting Holy Family Medical Center in Des Plaines into a long-term acute-care hospital. The facility will be the only LTACH on the northwest side of Chicago and one of only seven such hospitals in Illinois. The hospital will specialize in intensive care for patients expected to remain in the facility for an average of 25 days, but will continue to provide some outpatient services such as diagnostic imaging. Holy Family has struggled as government payors have accounted for an estimated 56 percent of its inpatient volume.

Resurrection Health’s move is part of efforts to strengthen its bottom line by reducing operating deficiencies. This effort has been complicated by

Year Founded: 2000

Physicians Employed: <80

Physicians Affiliated: 3,100

Local Hospitals: 9

Local Hospital Beds: 2,903

PBM: N/A

GPO: N/A

- ❖ Nine Chicago-area hospitals with 2,903 combined beds:
 - Resurrection Medical Center, Chicago, 689 beds.
 - Saint Joseph Hospital, Chicago, 341 beds.
 - Saint Mary of Nazareth Hospital Center, Chicago, 305 beds.
 - Our Lady of the Resurrection Medical Center, Chicago, 282 beds.
 - Saint Francis Hospital, Evanston, Ill., 270 beds.
 - West Suburban Medical Center, Oak Park, Ill., 270 beds.
 - Holy Family Medical Center, Des Plaines, Ill., 257 beds.
 - Saint Elizabeth Hospital, 257 beds, Chicago.
 - Westlake Hospital, Melrose Park, Ill., 232 beds.
- ❖ Resurrection Physicians Provider Group, a 40-physician group on staff at Resurrection Medical Center.
- ❖ Family Medical Network, PHO for the Resurrection Health System.
- ❖ Nine Community Clinics in Chicago (six), Melrose Park, Oak Park and River Forest.
- ❖ Three Resurrection Immediate and Ambulatory Care Centers in Chicago, Elmwood Park and Norridge.
- ❖ One Resurrection Health Care Surgery in Chicago.
- ❖ Eight pharmacies in Chicago (three), Des Plaines, Evanston, Melrose Park, Oak Park and River Forest.
- ❖ Eight skilled-nursing facilities in Chicago, Des Plaines, Evanston, Franklin Park, Glenview, Niles, Northlake and Park Ridge.
- ❖ Four retirement living facilities in Chicago, La Grange Park, Niles and Northlake.
- ❖ Resurrection Behavioral Health.
- ❖ Resurrection Home Health Care.
- ❖ Ten medical office buildings in Chicago (six), Des Plaines (two), Evanston and Melrose Park.



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the need to gain approval from the Illinois Health Facilities and Planning Board for several of the proposed changes. In 2003, the board denied Resurrection Health's request to reduce service and management duplication by consolidating acute-care services at Saint Elizabeth Hospital and nearby Saint Mary of Nazareth Hospital into a single campus with Saint Elizabeth transitioning to an outpatient facility. For now, the two facilities continue to be acute-care hospitals.

By 2007, Resurrection Health plans almost \$400 million in capital expenditures, which will be partially funded through the issuance of \$98.7 million in bonds, as well as various hospital foundations. The projects include a \$25 million facelift for the diagnostic imaging department at Saint Joseph Hospital on Chicago's Northside, \$6.5 million to double the size of the emergency department at Westlake Hospital in Melrose Park and the conversion of Holy Family Medical Center.



The Rush System for Health

Description

The Rush System for Health is a comprehensive healthcare network linking community hospitals and other healthcare organizations to the specialized services available at Rush University Medical Center. The Rush System shares medical resources among its owned and affiliated facilities and undertakes managed care contracting on the behalf of the hospitals.

The nonprofit health system accounts for 5 percent of the Chicago region's inpatient hospital discharges and 5 percent of licensed inpatient beds. The system's average daily occupancy rate is 63 percent and its average length of stay is 4.7 days, according to the most recent federal Medicare hospital data for 2002. Medicare and Medicaid account for an average 41 percent and 18 percent, respectively, of its patient volume.

The Rush System for Health is anchored by 677-bed Rush University Medical Center, the second-largest hospital in the Chicago area. The academic medical center is located in the downtown urban medical district that includes John H. Stroger Jr. Hospital of Cook County and the University of Illinois Medical Center at Chicago. The medical district has more than 12 million square feet of educational, medical and research facilities. Its daily population includes more than 80,000 employees, faculty, residents and students.

News and Analysis

Rush University Medical Center's seemingly promising return to profitability in 2003 was short-lived as the West Side teaching hospital posted a net loss of \$8.4 million on revenues of \$1.3 billion for the fiscal year ended June 30, 2004. The medical center posted net income of \$5.5 million in fiscal 2003. The latest loss threatens Rush's plans for a \$500 million expansion of the medical center. Rush University Medical Center has posted losses in five of the past six years and its ability to raise as much as \$200 million in bond financing for the project is dependent on the medical center's ability to post several years of profits.

The medical center's previous efforts to implement a financial turnaround have included new billing processes and reductions in overtime expenses, as well as a focus on high-margin procedures, including cardiothoracic surgery, neurosurgery and organ transplantation. In three years, these efforts have saved Rush \$80 million. It also sold The Rush Home Care Network, which generated an estimated \$10 million in annual revenue. According to a recent consultant study, RUMC needs to cut \$182 million in expenses by 2008, or produce a comparable revenue increase. Among the possibilities for financial savings: selling assets, setting productivity standards for physicians, and consolidating laboratories and cafeteria services. Employment cuts are a possibility.

Year Founded: 1971	Local Hospital Beds: 1,267
Physicians Employed: N/A	PBM: Internal
Physicians Affiliated: N/A	GPO: MedAssets
Local Hospitals: 5	
<ul style="list-style-type: none"> ❖ Five affiliated hospitals in the Chicago area with 1,267 combined beds: <ul style="list-style-type: none"> ▪ Rush University Medical Center, Chicago, 677 beds. Includes Rush Children's Hospital. ▪ Rush North Shore Medical Center, Skokie, Ill., 239 beds. ▪ Rush Oak Park Hospital, Oak Park, Ill., 203 beds. ▪ Rush-Copley Medical Center, Aurora, Ill., 148 beds. ❖ One affiliated hospital outside the Chicago area: Riverside Medical Center, Kankakee, 323 beds. ❖ Rush Health Associates, a physician-hospital organization that contracts for Rush University Medical Center, Rush Oak Park and 700 multispecialty physicians. ❖ Rush Institutes, six research entities that provide diagnosis, treatment and research concerning aging, cancer, heart, mental health, neuroscience and orthopedics. ❖ An academic medical affiliation with Rush University, including Rush Medical College, College of Nursing and College of Health Sciences. 	



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In addition to bond financing, RUMC has under way a \$300 million fundraising drive and is competing with other hospitals, including Northwestern Memorial Hospital, to raise money for additional facilities. Rush is undertaking this financial effort without a key member of its management team. Christine Malcolm, senior vice president of strategic planning, marketing and program development of RUMC and the primary architect of the campus redevelopment, left the hospital in August 2004 for another position in California.

The proposed campus redesign is scheduled to begin in 2006 and take 10 years to complete. The project is part of a new strategic plan to increase Rush's profile among the affluent and well-insured families on Chicago's West Side, a market that has been dominated by Northwestern Memorial Hospital for the past several years. The plan calls for Rush University Medical Center to increase its capacity in several key areas, including cancer, cardiac care and women's health. A new hospital for women and children, a 150,000-square-foot ambulatory-care and medical office building and a 40,000-square-foot research building are part of the project. In addition, the health system plans to develop a network of primary-care physicians' offices in Dearborn Park, the West Loop, Pilsen and Wicker Park as well as in Lawndale and Oak Park.

The proposed plan could signal a change in the relationship that Rush University Medical Center has with its affiliated suburban hospitals in Aurora, Kankakee and Skokie as it focuses more resources at its main campus.

In July 2005, Rush University Medical Center was named among America's best hospitals by *U.S. News & World Report*. The medical center was ranked in 11 out of 17 medical specialties, including orthopedics, geriatrics, kidney diseases and urology. Rush-Copley Medical Center was ranked among the best in neurology and neurosurgery.



Evanston Northwestern Healthcare

Description

Evanston Northwestern Healthcare, which is located in Chicago’s northwestern suburbs, is an academic health system affiliated with Northwestern University’s Feinberg School of Medicine.

The nonprofit ENH accounts for 3 percent of the Chicago area’s inpatient discharges and 4 percent of licensed inpatient beds, according to the most recent federal Medicare hospital data for 2002. The IDS’s average daily occupancy rate is 87 percent and its average length of stay is 4.5 days. Medicare and Medicaid account for an average 36 percent and 6 percent, respectively, of its patient volume.

Evanston Hospital, which is on the campus of Northwestern University, is the ENH flagship. Its specialties include gastrointestinal services, orthopedics, psychiatry, and maternity services, including high-risk obstetrics. The teaching hospital is a member of McGaw Medical Center of Northwestern University, a consortium of urban, suburban, specialized and general hospitals.

ENH includes a Level II trauma center at each of its three hospitals. Evanston Hospital and Highland Park Hospital each house a Level III perinatal center.

Glenbrook Hospital offers outpatient pediatric services and ambulatory surgery in partnership with Children’s Memorial Hospital in Chicago.

A 20-member board of directors governs Evanston Northwestern Healthcare. The IDS has more than 7,000 employees.

News and Analysis

Evanston Northwestern Healthcare is embroiled in a lawsuit that could result in the IDS divesting itself of Highland Park Hospital. The Federal Trade Commission contends that the three-hospital IDS violated antitrust law by increasing prices at all of its hospitals and collaborating with its physicians in price-fixing after Highland Park Hospital was acquired in 2000. The divestiture process could include making Highland Park an independent hospital or selling it to another entity. Highland Park, with its lucrative North Shore clientele, could attract several bidders, including a for-profit hospital operator. The tightly integrated Evanston Northwestern contends that the price increases were necessary as part of renegotiating poor managed care contracts and that it spent more than \$120 million on upgrades and additions at Highland Park Hospital, including a remodeled emergency department, upgraded medical/surgical units, expanded open-heart surgery capabilities and an ambulatory-care center. The legal case is before an administrative law judge in Washington, D.C.

Evanston Northwestern Healthcare’s net income from operations increased 57 percent to \$23.9 million on net operating revenue of \$1 billion in 2004.

ENH completed a three-year, \$35 million project to integrate its patient record system at three hospitals in 2004. The technology integrates computerized physician order-entry with electronic health records, so

Year Founded: 1891	Local Hospital Beds: 861
Physicians Employed: 467	PBM: None
Physicians Affiliated: N/A	GPO: VHA/Novation
Local Hospitals: 3	

- ❖ Three hospitals with 861 combined beds:
 - Evanston Hospital, Evanston, Ill., 476 beds.
 - Highland Park Hospital, Highland Park, Ill., 239 beds.
 - Glenbrook Hospital, Glenview, Ill., 146 beds.
- ❖ ENH Medical Group, a 467-member multispecialty physician group. Attending physicians are on faculty at Northwestern University’s Feinberg School of Medicine.
- ❖ Centers of excellence in cancer, heart, gastroenterology, orthopedics, radiology and women’s health.
- ❖ ENH Research Institute, which oversees research projects for 200 externally funded research faculty members and more than over \$110 million in external research funding.
- ❖ ENH Home Services.



that all registration, charting, test ordering, scheduling, procedures and medications, and physician billing are done electronically through a single system. The IDS expects that the new system will save an estimated \$10 million annually. In July 2004, Evanston Northwestern Healthcare was named as one of the nation's most wired hospital systems by *Hospitals & Health Networks* magazine.

Other Health Systems and Hospitals

The Mishawaka, Ind.-based **Sisters of St. Francis Health Services** is composed of five owned hospitals in the Chicago area with 1,138 combined beds: 374-bed Saint Margaret Mercy Healthcare Centers North Campus in Hammond, Ind.; 363-bed St. James Hospital and Health Centers in Chicago Heights and Olympia Fields, both in Illinois; 244-bed Saint Anthony Medical Center in Crown Point, Ind.; and 157-bed Saint Margaret Mercy Healthcare Centers South Campus in Dyer, Ind. SSFHS's hospitals primarily serve northwestern Indiana. The nonprofit health system includes seven owned hospitals in the Indianapolis area with 1,111 combined beds.

Sisters of St. Francis Health Services includes MidWest Health Ventures (a management services organization); WellGroup HealthPartners, a 60-physician multispecialty group with six locations; St. Margaret Mercy Medical Associates, a 30-physician ambulatory-care network with 20 locations in northern Indiana; St. Anthony Health Network with 300 physicians and four hospitals; HealthPartners Medical Group with 50 physicians; St. Anthony Family Practice Network with 25 physicians at 14 locations; Southwest Ambulatory Surgery Center, a physician-hospital partnership in Mokena; and four St. James Community Health Centers. The health system is affiliated with College of Osteopathic Medicine and Midwestern University.

In 2004, St. James Hospital and Health Centers completed a \$92 million renovation project that added regional institutes in cancer and cardiology as well as a women's health unit, a Level I trauma unit and a medical office building to its Olympia Fields campus. The facilities' additions, which position the hospital to attract more customers from the growing market that moves along Interstate 57 to Kankakee, are part of a strategic plan to increase its revenue stream in cardiology care. St. James purchased the Olympia Fields facility in 2000 primarily to access Olympia's open-heart surgery program, a service that St. James Hospital could not provide in Chicago Heights because the Illinois Health Facilities and Planning Board did not see a need for another open-heart program in the area. By 2003, St. James was capturing 13 percent of a very fragmented open-heart surgery market, while its closest competitor accounted for only 12 percent of the market.

St. James Hospital and Health Centers will decide later in 2005 if will continue as a Level I trauma center. Costs, especially for staffing the required medical specialists, have the hospital rethinking its trauma commitment. The move would leave Advocate Christ Medical Center in Oak Lawn as the only hospital in the south suburbs rated as a Level I trauma center and would push more seriously ill patients to that hospital.

Saint Margaret Mercy Healthcare Centers continues to develop free-standing clinics and diagnostic centers to feed clients to its two hospitals, especially well-insured clients in Lake County, Ind.

Sisters of St. Francis Health Services and Provena Health, another Chicago-area healthcare system, integrated their laboratory services in July 2005 to take advantage of economies of scale. The 22 lab facilities and 1,300 employees serve 18 hospitals, as well as dozens of clinics and health service centers in Illinois and Indiana and will process an estimated 10 million tests annually.

Northwestern Memorial HealthCare is the parent company of **Northwestern Memorial Hospital**, an academic medical center located in downtown Chicago. The 673-bed hospital is the third-largest hospital in the Chicago region with 673 beds. Northwestern Memorial Hospital has four subsidiaries:

- Northwestern Memorial Physicians Group, with 70 primary-care physicians at 12 locations.



Chicago, Illinois

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- Northwestern HealthCare Corp., a PHO with 20 payor contracts covering more than four million Chicago-area residents.
- Northwestern Memorial Insurance Company, which provides professional and certain general liability coverage to the hospital, physician group and home health program.
- Northwestern Memorial Home Health Care.

Northwestern Memorial Hospital houses a Level I trauma center, a Level III neonatal intensive-care unit and a primary stroke center. The downtown hospital is a member of McGaw Medical Center of Northwestern University, a consortium of urban, suburban, specialized and general hospitals, and the Northwestern University Feinberg School of Medicine. The hospital operates three in-house certificate programs for allied health programs in nuclear medicine technology, radiation therapy and diagnostic medical sonography.

After deciding to end its heart transplant program in 2000 because of the high cost, NMH had second thoughts and invested millions of dollars to rejuvenate its program. It also hired a surgeon from the world-renowned Cleveland Clinic. Patrick McCarthy, M.D., heads the hospital's division of cardiac care and is co-director of the Northwestern Memorial Cardiovascular Institute, the hospital's combined cardiology, heart and vascular programs. McCarthy performed a heart transplant in July 2005 and hopes to perform as many as 80 a year beginning in 2010 as part of an effort to establish NMH as a foremost heart surgery center. Northwestern Memorial faces an uphill battle against its local competitors. NMH performs an estimated 400 open-heart surgeries annually, well behind the established programs at Loyola University Medical Center, Rush University Medical Center and University of Chicago Hospitals.

Meanwhile, Northwestern Memorial Hospital continues to grow its share of the local maternal labor and delivery market, capturing almost 12 percent of the market in 2003 and well ahead of its closest competitors. When NMH's \$500 million women's hospital opens in 2007, it will have sufficient capacity to accommodate up to 13,500 births annually, which will make it the third-largest birthing center in the country.

Northwestern Memorial Hospital and the Rehabilitation Institute of Chicago have agreed to lease the Lakeside Veterans Affairs Medical Center, which closed in 2003. The two have paid the federal Department of Veterans Affairs \$50 million for a 75-year lease with an option to buy the property, which sits just across the street from Northwestern Memorial. NMH plans to take at least a year to assess how the property can best be used, but a new one-million-square-foot facility will probably be constructed on the site.

Provena Health is a Catholic health system that includes six hospitals, 16 long-term care and senior residential facilities, 28 clinics, and five home health agencies in Illinois and Indiana. The health system has four hospitals with 949 beds in the Illinois part of the Chicago MSA: Provena Saint Joseph Medical Center (includes Saint Joseph Heart Center) in Joliet; Provena Mercy Medical Center in Aurora and Provena Saint Joseph Hospital in Elgin. The 401-bed Provena Saint Joseph Medical Center in Joliet is the largest hospital in Provena's Chicago market. Specialty services available at the medical center include mental health, retina care, sleep disorders and weight loss. Saint Joseph Medical Center houses a Level II trauma center and a Level II+ perinatal center. The Saint Joseph Heart Center, a hospital-within-a hospital, is located on one floor of the medical center.

Mokena-based Provena Health is a nonprofit Catholic health system that was formed in December 1997 by three Roman Catholic religious congregations: Franciscan Sisters of the Sacred Heart (Frankfort), the Servants of the Holy Heart of Mary, Holy Family Province (Kankakee) and the Sisters of Mercy of the Americas (Aurora). Provena Health is governed by a board of directors composed of representatives from the sponsoring congregations and their communities. Lay professionals carry out management activities.

Provena Health is appealing a February 2004 decision by the Illinois Department of Revenue to revoke the property tax exemption of Provena Covenant Medical Center in Urbana. The loss of the exemption could cost the medical center as much as \$1.1 million annually, which it claims will further hinder its ability



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Market Stage

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to provide charitable care to the poor. The medical center lost \$700,000 in fiscal 2003. At issue, in part, are the debt collection practices of the medical center.

Provena Health is investing \$6 million in advanced technology to establish a remote intensive-care unit at six of its hospitals that will enable ICU patients to be monitored from a central location. The system will cost \$3 million annually to maintain.

The **Cook County Bureau of Health Services** is responsible for developing programs in public health that serve the uninsured and underinsured in Cook County, Illinois. In addition to two acute-care hospitals, the Bureau operates clinics and outpatient sites that receive more than 1 million annual patient visits. John H. Stroger Jr. Hospital of Cook County (525 beds) and Provident Hospital of Cook County (129 beds) account for only 3 percent of the total inpatient hospital discharges in the Chicago area, but the two hospitals play important roles in the Chicago market as major “safety-net” hospitals. The small market share reflects, at least in part, a strategic move to attract more lucrative outpatient care to Stroger Hospital, where 40 percent of its space is devoted to extensive outpatient specialty, diagnostic and treatment facilities as well as clinical laboratories. More than 220,000 patients are expected to visit the outpatient facilities annually. Stroger Hospital is a tertiary teaching hospital that houses a Level I adult and pediatric trauma center, and a Level III prenatal center. Its specialties include burn treatment, cardiac care and HIV/AIDS treatment. Stroger Hospital is located just west of Chicago’s Loop in an urban medical district that includes the University of Illinois Medical Center at Chicago and Rush University Medical Center. Provident Hospital is a public, community teaching hospital in the Grand Boulevard area of Chicago’s south side, one of the most economically depressed areas of the city. The hospital focuses on family medicine and houses a Level II perinatal unit. Clinical departments include emergency medicine, obstetrics and women’s health. Provident Hospital is linked to Stroger Hospital for tertiary and subspecialty care. Provident has an academic affiliation with Loyola University Medical School.

Chicago Hospitals		
Organization Name	Beds	City
Resurrection Medical Center	689	Chicago, Ill.
Rush University Medical Center (includes Rush Children’s Hospital)	677	Chicago, Ill.
Northwestern Memorial Hospital	673	Chicago, Ill.
Advocate Christ Medical Center (includes Advocate Hope Children’s Hospital)	631	Oak Lawn, Ill.
University of Chicago Hospitals (Bernard Mitchell Hospital, University of Chicago Comer Children’s Hospital and Chicago Lying-In Hospital)	573	Chicago, Ill.
John H. Stroger Jr. Hospital of Cook County	525	Chicago, Ill.
Advocate Lutheran General Hospital (includes Advocate Lutheran General Children’s Hospital)	519	Park Ridge, Ill.
Northwest Community Hospital	477	Arlington Heights, Ill.
Evanston Hospital	476	Evanston, Ill.
Loyola University Hospital (includes Ronald McDonald Children’s Hospital of Loyola)	473	Maywood, Ill.
University of Illinois Medical Center at Chicago	433	Chicago, Ill.



HealthLeaders-InterStudy Market Overview

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Provena Saint Joseph Medical Center (includes Saint Joseph Heart Center)	401	Joliet, Ill.
Mercy Medical Center	394	Chicago, Ill.
Alexian Brothers Medical Center	387	Elk Grove Village, Ill.
Saint Margaret Mercy Healthcare Centers North Campus	374	Hammond, Ind.
Community Hospital	368	Munster, Ind.
Advocate Illinois Masonic Medical Center	365	Chicago, Ill.
St. James Hospital and Health Centers (2 campuses)	363	Chicago Heights and Olympia Fields, Ill.
Palos Community Hospital	360	Palos Heights, Ill.
Ingalls Memorial Hospital	355	Harvey, Ill.
Sherman Hospital	353	Elgin, Ill.
Elmhurst Memorial Hospital	349	Elmhurst, Ill.
Saint Joseph Hospital	341	Chicago, Ill.
Adventist Hinsdale Hospital	329	Hinsdale, Ill.
Michael Reese Hospital and Medical Center	315	Chicago, Ill.
Central DuPage Hospital	314	Winfield, Ill.
The Methodist Hospitals—Northlake	305	Gary, Ind.
Saint Mary of Nazareth Hospital Center	305	Chicago, Ill.
Swedish Covenant Hospital	305	Chicago, Ill.
The Methodist Hospitals—Southlake	298	Merrillville, Ind.
Silver Cross Hospital	297	Joliet, Ill.
The Mount Sinai Hospital	295	Chicago, Ill.
Provena Mercy Medical Center	288	Aurora, Ill.
MacNeal Hospital	285	Berwyn, Ill.
Our Lady of the Resurrection Medical Center	282	Chicago, Ill.
Advocate Good Samaritan Hospital	279	Downers Grove, Ill.
Holy Cross Hospital	278	Chicago, Ill.
Porter Memorial Health System (Porter Valparaiso Hospital Campus and Porter Portage Hospital Campus)	276	Valparaiso, Ind.
Saint Francis Hospital	270	Evanston, Ill.
West Suburban Medical Center	270	Oak Park, Ill.
Little Company of Mary Hospital and Healthcare Centers	268	Evergreen Park, Ill.
Provena Saint Joseph Hospital	260	Elgin, Ill.
Holy Family Medical Center	257	Des Plaines, Ill.
Saint Elizabeth Hospital	257	Chicago, Ill.
St. Francis Hospital & Health Center	255	Blue Island, Ill.
Victory Memorial Hospital	249	Waukegan, Ill.



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Saint Anthony Medical Center	244	Crown Point, Ind.
Highland Park Hospital	239	Highland Park, Ill.
Rush North Shore Medical Center	239	Skokie, Ill.
St. Alexius Medical Center	236	Hoffman Estates, Ill.
Advocate South Suburban Hospital	235	Hazel Crest, Ill.
Westlake Hospital	232	Melrose Park, Ill.
Children's Memorial Hospital	218	Chicago, Ill.
Lake Forest Hospital	214	Lake Forest, Ill.
Advocate Trinity Hospital	212	Chicago, Ill.
Gottlieb Memorial Hospital	212	Melrose Park, Ill.
St. Bernard Hospital	204	Chicago, Ill.
Rush Oak Park Hospital	203	Oak Park, Ill.
St. Catherine Hospital	199	East Chicago, Ind.
Louis A. Weiss Memorial Hospital	193	Chicago, Ill.
Methodist Hospital of Chicago	192	Chicago, Ill.
Loretto Hospital	189	Chicago, Ill.
St. Mary Medical Center	186	Hobart, Ind.
Edward Hospital	185	Naperville, Ill.
Condell Medical Center	183	Libertyville, Ill.
Adventist La Grange Memorial Hospital	176	La Grange, Ill.
Norwegian American Hospital	173	Chicago, Ill.
St. Catherine's Medical Center	168	Kenosha, Wis.
Saint Margaret Mercy Healthcare Centers South Campus	157	Dyer, Ind.
St. Anthony Hospital	155	Chicago, Ill.
Kenosha Medical Center	151	Kenosha, Wis.
Centegra Northern Illinois Medical Center	148	McHenry, Ill.
Rush-Copley Medical Center	148	Aurora, Ill.
Centegra Memorial Medical Center	147	Woodstock, Ill.
Advocate Good Shepherd Hospital	146	Barrington, Ill.
Glenbrook Hospital	146	Glenview, Ill.
Adventist GlenOaks Hospital	145	Glendale Heights, Ill.
Advocate Bethany Hospital	135	Chicago, Ill.
Provident Hospital of Cook County	129	Chicago, Ill.
Thorek Hospital and Medical Center	129	Chicago, Ill.
Roseland Community Hospital	125	Chicago, Ill.
South Shore Hospital	125	Chicago, Ill.



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Sacred Heart Hospital	119	Chicago, Ill.
Delnor-Community Hospital	118	Geneva, Ill.
Morris Hospital	82	Morris, Ill.
Harvard Community Memorial Hospital	77	Harvard, Ill.
Midwestern Regional Medical Center	70	Zion, Ill.
Jasper County Hospital	45	Rensselaer, Ind.
Edward Hines Jr. Veterans Affairs Hospital	N/A	Hines, Ill.
Great Lakes Naval Hospital	N/A	Great Lakes, Ill.
Jesse Brown VA Medical Center	N/A	Chicago, Ill.
Lincoln Park Hospital (formerly Grant Hospital)	N/A	Chicago, Ill.
North Chicago Veterans Affairs Medical Center	N/A	Chicago, Ill.
Shriners Hospital for Crippled Children	N/A	Chicago, Ill.
Source: HealthLeaders-InterStudy, 2005, Solucient, 2004		



Physicians



SITUATION ANALYSIS MARKET SCORE

Score	Definition
+	Market dynamics favor physicians. Look for stable or improved physician profitability, at the expense of managed care organizations, and increased physician control of medical management.
o	Market dynamics are neutral for physicians. Look for the status quo to continue.
-	Market dynamics are unfavorable for physicians. Look for stable or improved health plan profitability, at the expense of physicians, and increased health plan control of medical management.

There are an estimated 3,900 physicians in the Cook County portion of Chicago region, including an estimated 1,600 primary-care physicians. Most large physician groups are affiliated with a major teaching hospital such as the University of Chicago or Northwestern University.

Most physicians continue to be at the mercy of health plans in contract negotiations. Some health plans are introducing quality and pay-for-performance components to reimbursements. In 2006, Aetna Inc. will launch its Aexcel physician network in the Chicago area. The Aexcel network is a subset of the Aetna specialist network and will include physicians who meet certain standards in clinical performance and cost efficiency. The network focuses on 12 specialties that typically use expensive medical technology and prescribe specialized medications, including cardiothoracic surgery, obstetrics and gynecology, neurosurgery and urology. The Aexcel network is in the process of being rolled out in 20 markets that were selected based on the size and performance of the area's specialist network and employer interest. It is being offered to large self-funded employers.

It is too early to tell how the medical malpractice caps (\$500,000 for physicians) passed in 2005 by the Illinois General Assembly will affect malpractice insurance rates in the state. Physicians have been trying to get caps passed for several years. Although anecdotal evidence is often presented that suggests the physician supply has been depleted in the face of ever-increasing malpractice rates in Illinois, data collected by HealthLeaders-InterStudy indicates that the number of local physicians declined by less than 2 percent from 2003 to 2004. That decline is in line with national trends, as well as with nearby states that limit noneconomic awards in malpractice cases.

One well-documented shortage area is in specialist care for the uninsured. Public hospitals like Chicago's John H. Stroger Jr. Hospital of Cook County, which provide much of the care to the uninsured as so-called "safety-net hospitals," are under intense financial pressure to increase their revenues as governments reduce support. As a result, uninsured patients with chronic illnesses like diabetes face limited access to the physicians who are trained to treat those conditions.

Physician Organization Activity			
Physician Organization	Full-Risk Lives	Partial-Risk Lives	Outpatient Pharmacy-Risk Lives
University of Chicago Physicians Group*	N/A	10,600	N/A
Advocate Health Centers*	111,000	10,000	195,000

Source: HealthLeaders-InterStudy, 2005. As of 2004.



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Market Stage

This Market Is DEVELOPING

University of Chicago Physicians Group

UCPG is a 724-member multispecialty physician group with more than 30 clinic sites. UCPG members are on the faculty at University of Chicago Pritzker School of Medicine.

Year Founded: 1927	Type: Medical Group
Total Physicians: 724	Internal Guidelines: Yes
Primary Care Physicians: N/A	Medical Management: Yes
	Clinical IS: Yes

Advocate Health Centers

Advocate Health Centers offers a full range of primary-care services, specialty care, and support services for more than 200,000 patients at 16 sites. The centers offer several disease management programs, including asthma, diabetes and congestive heart failure.

Year Founded: 1988	Type: Medical Group
Physicians Employed: 170	Internal Guidelines: Yes
Primary Care Physicians: N/A	Medical Management: Yes
	Clinical IS: Yes

Other Physician Groups

Loyola University Physicians Foundation is a physicians group with an estimated 595 physicians who practice at Loyola University Medical Center and at its satellite facilities throughout the west and southwest suburbs of Chicago. LUPF physicians all are faculty members at Loyola University Chicago Stritch School of Medicine, which is on the Loyola University Medical Center campus in Maywood.

Northwestern Medical Faculty Foundation, is a 525-physician academic multispecialty group, covering more than 40 medical and surgical specialties and subspecialties. The independent nonprofit NMFF is governed by a board of directors. Its physicians are full-time faculty members or researchers at Northwestern University's Feinberg School of Medicine, and are on the attending physician staff at Northwestern Memorial Hospital.

Evanston Northwestern Medical Group comprises 467 employed primary and specialty care physicians located throughout the north and northwest suburbs of Chicago. Attending physicians are on faculty at the Feinberg School of Medicine.



Health Plans

+	SITUATION ANALYSIS MARKET SCORE
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Score	Definition
+	Managed care growth will continue or accelerate. Market forces that encourage managed care growth outweigh forces that discourage it.
O	Managed care growth will be slow or nonexistent. Market forces that discourage managed care growth are equal to forces that encourage it.
-	Managed care growth will decline or disappear, or the trend is negative. Market forces that discourage managed care growth outweigh forces that encourage it.

An estimated 72 percent of the Chicago-area population was enrolled in an HMO, PPO or POS health plan product as of July 1, 2004. Since December 2003, local PPO penetration continues to increase while HMO penetration remains in the 17 percent range. Much of the local popularity of PPOs can be attributed to the Chicago-area presence of large regional and national employers who need to provide health insurance to employees at multiple sites and find that PPOs offer more options for that type of coverage.

Blue Cross and Blue Shield of Illinois continues to dominate the HMO and PPO markets, where it accounts for 47 percent and 68 percent, respectively, of combined managed care membership.

Each of the leading health plans serving the Chicago area continue to introduce new managed care products to grow membership. Each of the five major HMOs serving the Chicago market posted net profits in 2004 and 2003, thanks in part to significant premium increases, as well as tight control over medical expenses.

Chicago's managed care organizations play hardball in contracting negotiations, no matter what health system is involved. For example, in December 2003, UnitedHealthcare and Advocate Health Care, the area's leading IDS, parted ways. Among the issues affecting their renegotiations were the following: Advocate's reluctance to agree to UnitedHealthcare's demand to cap the rates that the health plan paid for several outpatient procedures, such as physical therapy. UnitedHealthcare wanted to negotiate individual contracts with Advocate-affiliated physicians who practice at other hospitals, but Advocate wanted a centralized agreement. The health plan split with Silver Cross Hospital in 2004 over reimbursement issues. In January 2005, as well, UniCare Health Plans dropped the University of Chicago Hospitals from its provider network when the two failed to reach agreement over reimbursement rates to the medical facility and its physician group.

Blue Cross and Blue Shield of Illinois

Blue Cross and Blue Shield of Illinois dominates the Chicago and Illinois HMO and PPO markets. The Blues plan had an estimated 760,000 local HMO and 3.5 million local PPO members as of July 1, 2004. The Blues carrier's statewide HMO enrollment was 860,860 and its statewide PPO membership was an estimated 4.8 million members for the same timeframe. An estimated 53 percent of its enrollment is in an administrative services-only product.

Year Founded: 1977	Products Offered	
2003 HMO Net Profit: \$38.2 million	HMO <input checked="" type="checkbox"/>	Medicare HMO <input type="checkbox"/>
	PPO <input checked="" type="checkbox"/>	Medicaid HMO <input type="checkbox"/>
2004 HMO Net Profit: \$145.3 million <small>*HMO operations only</small>	POS <input checked="" type="checkbox"/>	HSA/CDHP <input checked="" type="checkbox"/>



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In 2004, HMO Illinois, the HMO offered by the Illinois plan, posted net income of \$145.3 million on revenue of \$1.9 billion. In 2003, HMO Illinois posted net income of \$38.2 million on revenue of \$1.9 billion. As a mutual company, Blue Cross must distribute excess funds among its members. This disbursement can be accomplished through lower premiums, but the health plan will probably use most of the profits for infrastructure investments in systems and technology and to strengthen reserves.

Blue Cross and Blue Shield of Illinois has partnered with Pittsburgh-based Mellon Financial Corp. to offer health savings accounts health benefit plans. The new product offers an interest-bearing checking account and a debit card to enrollees to pay for qualified medical expenses, as well as an investment account through The Dreyfus Corp., a Mellon mutual fund business. The HSA is part of the BlueEdge portfolio of consumer-driven products. An individual HSA was introduced in 2005 and is being marketed to the uninsured, the self-employed and recent college graduates. The HSA products use Blue Cross' PPO network, and in addition to typical benefits, offer optional maternity coverage, prescription drug coverage, well-child care and adult wellness benefits.

The Blues plan has introduced a tiered network to its PPO product line. BlueChoice uses the same physician network as other PPOs, but offers a hospital network limited to facilities that are rated as the highest in quality measures.

The Illinois Blues plan acquired an ownership interest in Prime Therapeutics, a national pharmacy benefits manager that is owned by a number of Blues Plans, and dropped AdvancePCS as its pharmacy benefits manager in January 2005.

Blue Cross and Blue Shield of Illinois is owned by the Health Care Service Corp., which also owns Blues plans in Texas and New Mexico and has 9.6 million members across all product lines. In December 2004, HCSC signed a letter of intent to align with Blue Cross and Blue Shield of Oklahoma in a deal that falls short of being a merger.

Humana Health Plan

Humana Health Plan had an estimated 271,473 Chicago-area HMO members in commercial, Medicare and Medicaid HMO products as of July 1, 2004. The health plan also had an estimated 214,000 local PPO members in the same time period.

Humana Health Plan, which reports its financials on a multistate basis, continues to post net income after several years of losses. In 2004, the health plan posted net income of \$7.6 million on revenue of \$2.0 billion. In 2003, Humana Health Plan posted net income of \$36.7 million on revenue of \$2.2 billion. Improved commercial margins and reduced administrative costs contributed to its financial turnaround.

Humana introduced some new options to its Smart product line in the Chicago-area in January 2005. Small groups now have access to SmartNet, a PPO product with a smaller physician network and premiums that run as much as 8 percent lower than its larger network products. The hospital network is standard and out-of-network benefits are an added cost. Humana also introduced SmartExpress in the Chicago area. The product targets small and mid-size employers (fewer than 300 employees) and includes a choice of up to three tiers of coverage depending on company size.

Humana Health Plan is a subsidiary of Louisville, Ky.-based Humana Inc.

Year Founded: 1972	Products Offered	
2003 HMO Net Profit: \$36.7 million	HMO <input checked="" type="checkbox"/>	Medicare HMO <input checked="" type="checkbox"/>
2004 HMO Net Profit: \$7.6 million	PPO <input checked="" type="checkbox"/>	Medicaid HMO <input checked="" type="checkbox"/>
	POS <input type="checkbox"/>	HSA/CDHP <input checked="" type="checkbox"/>



Chicago, Illinois

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Market Stage

This Market Is DEVELOPING

UnitedHealthcare of Illinois

UnitedHealthcare of Illinois had 54,988 local HMO members, including Medicaid members, as of July 1, 2004. It is the second-largest PPO in the area with 364,371 members for the same timeframe. An estimated 74 percent of its enrollment is administrative services only.

2003 HMO Net Profit: \$9.8 million	HMO <input checked="" type="checkbox"/>	Medicare HMO <input type="checkbox"/>
	PPO <input checked="" type="checkbox"/>	Medicaid HMO <input checked="" type="checkbox"/>
2004 HMO Net Profit: \$8.4 million	POS <input type="checkbox"/>	HSA/CDHP <input checked="" type="checkbox"/>

In 2004, UnitedHealthcare of Illinois, which reports its financials on a multistate basis, reported net income of \$8.4 million on total revenue of \$159.7 million. In 2003, the health plan posted net income of \$9.8 million on total revenue of \$140.8 million.

UnitedHealth Group, the parent company of UnitedHealthcare of Ohio, has announced three major mergers in as many years, as part of its strategic plan to increase its membership strength. In 2005, it announced its intention to acquire PacifiCare Health Systems. Earlier, in April 2004, United acquired Oxford Health Plans and in 2003 it acquired Mid-Atlantic Medical Services Inc.



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Market Stage

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Health Plans and Pharmacy						
Health Plan	2-tier Design	3-tier Design	4- or 5-tier Design	Co-insurance	Rx Generic Copay	Rx Brand Copay
Blue Cross and Blue Shield of Illinois	20%	25%	40%	10%	\$5 to \$15	\$10 to \$35
Humana Health Plan	27%	27%	46%	0%	\$5 to \$15	\$10 to \$30
UnitedHealthcare	5%	95%	0	2%	\$7 to \$14	\$20 to \$60

Source: HealthLeaders-InterStudy, 2005 Pharmacy Benefit Evaluator Tool (Data represents plan-level information)

Health Plans and Pharmacy Management			
Health Plan	PBM(s)	PBM provides formularies or formulary consultation?	PBM provides consultations on benefit design?
Blue Cross and Blue Shield of Illinois	Prime Therapeutics	Yes	No
Humana Health Plan	Caremark/Precision Rx	No	No
UnitedHealthcare	Medco Health	No	Yes

Source: HealthLeaders-InterStudy, 2005 Pharmacy Benefit Evaluator Tool (Data represents plan-level information)

Health Plans and Generics			
Health Plan	Total Plan Pharmacy Expenditure	Percent Spent on Brands	Percent Spent on Generics
Blue Cross and Blue Shield of Illinois	N/A	59.8%	40.2%
Humana Health Plan	\$148.1 million	89%	11%
UnitedHealthcare	\$14.7 million	55.6	44.4

Source: HealthLeaders-InterStudy, 2005 Pharmacy Benefit Evaluator Tool (Data represents plan-level information)

Note: For more information about health plans and pharmacy benefits, please contact HealthLeaders-InterStudy about purchasing access to the 2005 Pharmacy Benefit Evaluator Tool. Additional coverage includes: Indicators of commercial, Medicaid and Medicare business opportunity; indicators of branded drug coverage; indicators of access to biologic drugs; drug expenditures by therapeutic class; and indicators of plans' ability to control Rx benefit.



Medicaid/Medicare

Medicaid

A last-minute budget vote by the 2005 Illinois General Assembly could mean that the state's voluntary Medicaid managed care program will revert to fee-for-service. According to the passed budget, Medicaid spending must be reduced by \$70 million in order to balance the budget. The Illinois Department of Public Aid supported the move, which was opposed by health plans. Negotiations are under way to continue the managed care programs, but no progress has been reported. A state-financed report actually recommended expansion of managed care in the state's Medicaid program, to achieve annual savings of an estimated \$193 million in the first year of implementation, reaching \$460 million by year five.

In Illinois, Medicaid managed care has been a voluntary option for all Medicaid eligibles. As such, Medicaid managed care is limited almost entirely to the Chicago area, where it attracts less than 18 percent of the Medicaid eligibles. Efforts to make the Illinois Medicaid managed care program mandatory, in at least the Chicago area, have met with legislative opposition, based primarily on the limited scope of the program's provider networks. To some extent, participating HMOs have used mergers and consolidations to increase their Medicaid managed care membership.

Six HMOs, including one managed care community network (Family Health Network), offer Medicaid managed care options in Illinois. MCCNs—provider-sponsored organizations that are certified by the Illinois Department of Public Health—have the same contractual requirements as HMOs, except for financial solvency and licensing requirements. Both are paid a flat monthly rate for each client enrolled, based on the client's age and gender, without regard to the amount or cost of the services provided to any enrollee during the month.

Harmony Health Plan of Illinois, Managed Health Services and AMERIGROUP Illinois, which are Medicaid-only HMOs, account for 56 percent of the Medicaid managed care enrollment in the Chicago area. Illinois Health Solutions, a commercial HMO operating in southern Illinois, began marketing a Medicaid product in the Chicago area in 2005.

Illinois had an estimated 1,225,104 residents eligible for Medicaid as of July 1, 2004, with an estimated 158,731 Medicaid eligibles enrolled in managed care plans. In the Chicago area, an estimated 802,639 residents were eligible for managed care as of July 1, 2004, with an estimated 141,085 Medicaid members enrolled in managed care plans.



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Market
Stage

This Market Is
DEVELOPING

Medicare

Medicare managed care options are increasing as Humana Health Plan and HealthSpring now market in the Chicago area. Medicare PPOs are also generating some local interest.

Humana Health Plan has returned its Medicare products to some of the Cook County suburbs, which it left in 2003, citing inadequate federal reimbursements that left the health plan unable to maintain a provider network. Increased reimbursement rates brought Humana Gold Plus back to several well-heeled, senior-citizen-heavy communities, including Evanston, Wilmette and Winnetka. Humana already accounts for 87 percent of the Medicare Advantage members in the Chicago area and 52 percent of the statewide Medicare managed care members.

Meanwhile, Nashville, Tenn.-based HealthSpring has its eye on five Chicago-area counties, where it will compete with the well-established Humana for Medicare Advantage market share. HealthSpring has an estimated 70,000 Medicare Advantage members in Alabama, Tennessee and Texas.

Humana has applied to the Centers for Medicare & Medicaid Services for regional Medicare PPOs in 14 of 26 regions, including the Illinois-Wisconsin region, where it already does Medicare business. Regional PPOs must serve an entire region, whereas local PPOs can choose to serve only select counties in an area. The Illinois-approved Medicare HMOs—Health Alliance, Group Health Plan, UnitedHealthcare and OSF HealthPlans—are avoiding the Chicago area in favor of more familiar and senior-citizen-rich counties, where making a profit will be less challenging and more predictable.

In Illinois, 1,725,084 residents were eligible for Medicare as of July 1, 2004. There were 84,273 Illinois Medicare recipients enrolled in managed care plans as of July 1, 2004. In the Chicago area, 1,012,352 residents were eligible for Medicare as of July 1, 2004. There were 45,027 area Medicare recipients enrolled in managed care plans as of July 1, 2004.

Aetna Inc., which has no Medicare Advantage members in the Chicago area, has been selected by the Centers for Medicare & Medicaid Services to operate a Medicare health support program for Medicare beneficiaries in the Chicago area. The three-year pilot project will take 20,000 volunteers from a seven-county area and provide care-management services with the goal of reducing healthcare costs and improving outcomes. Another 10,000 volunteers will become part of a control group, and not receive the services. CMS wants a guaranteed financial savings of at least 5 percent, as well as clinical and patient satisfaction improvement. The Chicago project will focus on senior citizens with diabetes and congestive heart failure disorders.



Pharma



SITUATION ANALYSIS MARKET SCORE

Score	Definition
+	The local environment is positive for pharmaceutical companies. Expect high and/or increasing growth rates for pharmacy volume and high PMPM pharmacy costs among health plans and providers.
0	The local environment is neutral for pharmaceutical companies. Expect moderate or unchanged growth rates for pharmacy volume and average PMPM pharmacy costs among health plans and providers.
-	The local environment is negative for pharmaceutical companies. Expect no growth, below-average growth, and/or falling growth rates in pharmacy volume and low PMPM pharmacy costs among health plans and providers.

The Chicago healthcare market is balanced between strong factors favoring pharma growth and other factors weakening pharma profits. On the one hand, a growing local population, PPO penetration, increased AAPCC rates and a well-established pharmaceutical assistant plans are promising contributors to the area pharma market. However, these strengths are offset by weak Medicare and Medicaid HMO penetration, strong generics promotion by the leading health plans and tight pharmaceutical utilization management.

Favorable factors for pharmaceutical manufacturers include the following:

- Steady population growth in the Chicago area increases the potential market for pharmaceutical products.
- PPOs have a 3:1 enrollment margin over HMOs.
- AAPCC rates have increased 19 percent since 2003, which enhances managed care organizations' interest in Medicare Advantage products.
- Illinois has a well-established state pharmaceutical assistance plan for the elderly.
- In the face of across-the-board increases in prescription drug copayments, some employers are reducing copayments for some drugs that treat chronic conditions like diabetes and asthma as a way of avoiding higher treatment costs in the future.

Unfavorable factors include the following:

- The leading health plans have aggressively promoted generics, which now account for more than 40 percent of their total pharmacy expenditures.
- The leading health plans have more than 65 percent of their members in three, four or five-tiered formularies.
- "Reverse copayment plans" are being offered by some health plans, including Humana, CIGNA and UniCare Health Plans. Under the reverse copayment, the insurer covers the copayment for certain high-cost, high-use prescription drugs like statins and ulcer treatments, while the member covers the remaining cost.
- A bill to license pharmacy benefit managers passed the Illinois Senate and may see House action in the fall.



Legislation

The survival of the state's Medicaid program took center stage during the first meeting of the 2005 session of the 94th Illinois General Assembly. A last-minute budget vote appeared to slash \$70 million from the state Medicaid budget, which effectively ended the state's voluntary Medicaid managed care program and sent more than 158,000 Medicaid managed care enrollees back to the state's standard fee-for-service program. Negotiations are under way to find a way of replacing the funding.

After several years of debate, the General Assembly agreed to cap medical malpractice awards at \$500,000 for physicians and \$1 million for hospitals. Gov. Blagojevich has agreed to sign the bill. SB 475 includes setting new standards for expert witnesses in medical malpractice cases, requiring them to be board-certified or eligible in the same specialty as the defendant, allowing physicians to say "I'm sorry" without their statement being used against them and allowing the use of annuities for the payment of some parts of an award for medical costs.

The General Assembly adjourned in June 2005 but will return in the fall for a veto session.

Summary of Recent Legislation, Illinois		
Name/Number of Bill	Description	Status/Date
Insurance Pool for County Hospitals (HB 731)	Allows county-owned hospitals under 100 beds to join the state insurance pool to obtain insurance for their employees.	Signed by governor (2005)
Healthy Illinois Act (SB 11)	Calls for hospitals to hold cost increases to less than 3.5 percent annually and to hold operating margins to 3 percent.	Senate Rules Committee (2005)
Nurse Licensure Compact (SB 86)	Allows Illinois to recognize the Nurse Licensure Compact that facilitates the ability of nurses licensed in other states to work in Illinois.	Passed Senate, in House Rules Committee (2005)
Hospital Assessment Program (SB 157)	Increases Medicaid payments to hospitals from 73 percent to 87 percent of cost.	Signed by governor (2005)
Overtime Prohibition (SB 201)	Limits mandatory overtime for nurses.	Awaiting governor's signature (2005)
Medical Malpractice Cap (SB 475)	Limits "pain and suffering" (noneconomic damages) related to medical mistakes to \$500,000 from individual physicians and \$1 million from hospitals.	Awaiting governor's signature (2005)
Licensure of Pharmacy Benefit Managers (SB 1828)	Requires pharmacy benefit managers to be licensed by the state.	Passed Senate (2005)

Source: HealthLeaders-InterStudy, 2005



Employers



SITUATION ANALYSIS MARKET SCORE

Score	Definition
+	The local environment is positive for employers. Expect declining healthcare premiums and/or an increase in employer-driven quality initiatives.
O	The local environment is neutral for employers. Expect moderate or unchanged growth rates in healthcare premiums and few, if any, quality initiatives.
-	The local environment is negative for employers. Expect healthcare premiums to increase and/or for employers to have little ability to drive quality initiatives.

The rate of increase of healthcare costs in the Chicago area slowed from 11 percent in 2004 to 10 percent in 2005, according to a recent survey. Chicago-based GCG Financial surveyed more than 250 local companies, accounting for almost 200,000 workers. Among the findings:

- Average monthly premiums for employee-only PPO plans dropped by \$7 to \$335 per month, while families are paying 4 percent more.
- Average monthly premiums for employee-only HMO plans increased 6 percent to \$296 per month, while families are paying 5 percent more.
- Median physician office visit copayments remained at \$20 for PPOs, but increased to \$20 from \$15 for HMO plans.
- The average copayment for generic drugs remained at \$10 for HMO and PPO plans.
- Copayments for some high-end brand-name prescription drugs decreased 13 percent to \$35 under HMO plans, but increased 25 percent to \$50 under PPO plans.
- The number of companies considering consumer-driven health plans for their employees increased to 45 percent from 4 percent in 2004.
- The number of companies offering consumer-driven health plans to their employees increased to 14 percent from 6 percent in 2004.
- To control healthcare costs, employers favor cost-sharing of monthly insurance premiums, increased copayments and higher deductibles.

McDonald's and Sears Roebuck are among more than 60 area companies that will begin to sponsor, but not subsidize, high-deductible health insurance plans for low-income workers in fourth-quarter 2005. The options with the less-expensive health benefit plans range from a discount drug card for about \$4 per month to major medical coverage for about \$395 a month. Workers' options in between could include benefits such as wellness coverage, dental care and outpatient surgery. UnitedHealthcare and Humana Health Plan are participating in the employer program of high-deductible insurance coverage.

The Midwest Business Group on Health and its subsidiary, the Chicago Business Group on Health, focus on helping members to improve the quality of their healthcare benefit programs. The two coalitions are supporting the implementation of hospital quality standards that were developed by The Leapfrog Group. The voluntary standards involve the implementation of three proven patient safety measures: computerized order-entry systems, increased staffing of specialists in intensive-care units and "evidence-based hospital referrals" that place patients in hospitals that have performed a high volume of certain surgeries and procedures.



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Market
Stage

This Market Is
DEVELOPING

DEMOGRAPHICS AND STATISTICS

	% Change				% Change
Population	9,391,515	N/A	Sources of Health Insurance		
# of HMOs	21		Private	69%	N/A
Total Risk Lives			Public		
Total Full-Risk Lives	N/A	N/A	Medicare	12%	N/A
Total Partial-Risk Lives	N/A	N/A	Medicaid	10%	N/A
Total Pharmacy-Risk Lives	N/A	N/A	Uninsured	9%	N/A
Managed Care Trends	2004	2003	% Change	2004 National Avg.	
Total HMO Enrollment	1,625,169	N/A			
HMO Penetration %	17%	N/A		24.6%	
Medicare %	4%	N/A		12.4%	
Medicaid %	25%	N/A		39.2%	
Public Insurance	2005	2004	2003	State Has 1115 Federal Waiver	
Medicare AAPCC	\$655	\$614	\$552	No	
Physician Supply (2005) (Chicago Only)				Physicians/100K Population	
Primary Care Physicians	Number	% Change	% of Total	Regional	National
FPs/GPs/IMs	1,006	-1%	25.7%	48.9	58.7
OB/GYNs	226	-2%	5.8%	11.0	11.8
Pediatricians	372	1%	9.5%	18.1	15.2
Primary Care Physicians Total	1,604	-1%	41.0%	77.9	85.7
Medical Specialists	281	0%	7.2%	13.7	16.3
Surgical Specialists	526	-1%	13.4%	25.6	30.5
Other Specialists & Unspecified	1,505	5%	38.4%	73.1	74.7
Total Patient Care Physicians	3,916	2%	100.0%	190.3	207.2
Physicians in Group Practice	55.8%				
Hospital-Based Physicians	6.8%				
Hospitals (2005)	2005				2005 National Avg.
Number of Hospitals	101				N/A
Hospital Beds per 1,000 Pop.	3.9				2.7
Inpatient Occupancy Rate	60.3%				66.2%
Average Length of Stay (Days)	3.8				5.7

Note: HealthLeaders-InterStudy relies on third parties to assemble some of the data above. Variations in these firms' methods may introduce inconsistencies when comparing their data.

Source; HealthLeaders-InterStudy, 2004; Centers for Medicare & Medicaid Services, 2005; Medical Marketing Services, Inc., 2005; Health Forum LLC, An American Hospital Association Company, Hospital Statistics 2005 edition.