

Tazewell County Board



*David Zimmerman, Chairman of the Board
David A. Jones, County Administrator*

To: Linc Hobson, Chairman, and Human Resources Committee members
David Zimmerman, Chairman, and County Board members

From: David A. Jones, County Administrator *D.A.J.*

Date: July 26, 2010

Subject: Proposed Pekin Hospital Contract

On the In-Place and full Board agendas for Wednesday is a resolution to approve a new, three-year contract with Pekin Hospital. A number of full-time Tazewell County employees periodically utilize the medical services of Pekin Hospital, some of the costs of which are reimbursed under the County's self-insured health insurance program. The County's current agreement expires at the end of the month.

The new contract I am proposing is a three-year agreement that should result in cost savings for the County, yet continue what has been a mutually beneficial relationship with Pekin Hospital.

Here is a brief summary of our current and proposed contract provisions:

Inpatient

Currently: A base DRG rate of \$5,000 multiplied by the most recently published HCFA relative weights, with an outlier of 2.0 times the weighted DRG rate and 80% of the charges in excess of the outlier being payable.

Proposed: A base DRG rate of \$5,700 multiplied by the most recently published HCFA relative weights, with an outlier of 2.0 times the weighted DRG rate and 65% of the charges in excess of the outlier being payable.

This adjusts the base DRG rate more in line with the base Medicare rate for Pekin Hospital. The rate will remain static over the three-year term of the contract. The change in discount on charges in excess of the outlier will give the County some additional cost protection for larger in-patient claims.

Outpatient

Currently: A discount of 30% applied to all charges.

Proposed: A discount of 32% applied to all charges.

The net result of this is that, based on historical utilization of Pekin Hospital, Tazewell County would save approximately \$21,000 over the three-year term of the agreement on outpatient claims when compared to pricing under the current agreement.

I recommend approval of this contract because the DRG pricing on inpatient services historically has provided greater cost savings than a straight discount we would be able to negotiate, and aside from the adjustment to the base rate to reflect current costs, the two other changes from the existing contract—the deeper discount on inpatient claims exceeding the outlier and the increase in discount applied to outpatient procedures—will both result in cost savings to the County's Health Plan.

If you have any questions or concerns, please let me know. Thanks.

Mr. Chairman and Members of the Tazewell County Board:

Your Human Resources Committee has considered the following RESOLUTION and recommends that it be adopted by the Board:

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RESOLUTION

WHEREAS, the Human Resources Committee recommends to the County Board to approve the attached Agreement between Tazewell County and Pekin Hospital for the Tazewell County employees; and

WHEREAS, the Human Resources Committee recommends to the County Board to authorize the Board Chairman or the County Administrator to sign the attached Agreement between Tazewell County and Pekin Hospital for the Tazewell County employees.

THEREFORE BE IT RESOLVED that the County Board approve this recommendation.

BE IT FURTHER RESOLVED that the County Clerk notifies the County Board Office, the County Administrator, Deanna Smith, HCH Administration, Inc., P.O. Box 1986, Peoria, IL 61656-1986 and Dee Driskell, Director, Patient and Financial Services, Pekin Hospital, 600 S. 13th Street, Pekin, IL 61554 and the Auditor of this action.

PASSED THIS 28TH DAY OF JULY, 2010.

ATTEST:

County Clerk

County Board Chairman