

**THE METROHEALTH SYSTEM
BOARD OF TRUSTEES
FINANCE COMMITTEE
REGULAR MEETING MINUTES**

DATE: Wednesday, April 22, 2020

TIME: 8:30 to 10:00 am

PLACE: MetroHealth Medical Center
K107, Business Services Building

COMMITTEE TRUSTEES: Mr. Moss (via telephone), Dr. Silvers (via telephone)

ADDITIONAL TRUSTEES: Ms. Dee (via telephone), Mr. Moreno (via telephone), Ms. Whiting (via telephone)

STAFF: B. Boulanger, M.D., A. Boutros, M.D., N. Chehade, MD., G. Himes, (via telephone), B. Li, M.D. (via telephone), M. Phillips, J. Platten, C. Richmond, M. Stern

GUESTS:

John Moss called the regular meeting of the Finance Committee to order at 8:31 am. Please note the minutes are written to conform to the printed agenda and are not necessarily in the order of discussion.

- I. The minutes of the regular meeting held on January 15, 2020 were approved as presented.

II. INFORMATION ITEMS

Akram Boutros, MD, President & CEO began by introducing Benjamin Li, MD, Service Line Medical Administrator, Medical Oncology who will be joining the Finance Committee meetings as the requested designee for the Medical Staff for direct discussions for by-laws and support.

Craig Richmond, Executive Vice President and Chief Financial Officer began by providing an overview of the First Quarter 2020 Unaudited Financial and Operational Results for the period ended March 31, 2020. Mr. Richmond reported that Adjusted Earnings before Interest, Depreciation and Amortization (“EBIDA”) for the three months ended March 31, 2020 was \$24.2 million, an increase of \$5.6 million or 30.1 percent over the same period in 2019, which had an EBIDA of \$18.6 million. The increase in EBIDA was mainly attributed to supplemental funding programs and the continued growth in retail and contract pharmacy operations. This growth helped to offset the \$15.1 million revenue loss caused by the deferred elective visits, procedures and surgeries due to the COVID-19 pandemic.

Mr. Richmond further reported that total operating income for the three months ended March 31, 2020, was \$9.8 million, compared with operating income of \$4.2 million in the same period of 2019, an increase of \$5.6 million or 136.4 percent.

Total operating revenue for the three months ended March 31, 2020 was \$329.2 million as compared to \$303.2 million in the same period of 2019, an increase of 8.6 percent. The net patient service revenue component increased \$1.6 million or 0.6 percent. March patient revenue was negatively impacted \$15.1 million by the COVID-19 pandemic. An increase in supplemental program funding of \$10.1 million helped offset the March patient revenue loss. The other operating revenue

component increased by \$24.5 million or 52.2 percent mainly driven by significant growth in retail and contract pharmacy operations and contract income from the County Correctional Healthcare Program. During the first quarter of 2020, the System's payor mix (based on gross patient revenue) was relatively consistent as compared to the same period in 2019.

Mr. Richmond noted the System recorded total operating expenses of \$305.0 million for the three months ended March 31, 2020 as compared to \$284.6 million for the same period in 2019, which is an increase of \$20.4 million or 7.2 percent. The increase in operating expenses is primarily driven by salary, wages and benefits due to annual wage increases and contract labor, and pharmaceutical costs related to the continued growth in retail and contract pharmacy operations.

Mr. Richmond provided a review of the Statement of Net Position as of March 31, 2020 as compared to March 31, 2019. Areas of note were (i) investments decreased \$14.0 million from prior year-end balances due to market volatility related to the COVID-19 pandemic; (ii) restricted assets under bond indenture agreement decreased \$39.8 million from prior year-end balances due to bond fund draws and interest payments during the period; and (iii) net capital assets increased \$33.0 million from prior year-end balances due to transformation planning, design and construction; and (iv) total liabilities increased \$0.9 million from prior year-end balances primarily due to timing of payments.

Mr. Richmond reviewed MetroHealth's bond covenants, sharing that both days cash on hand and debt service coverage are within compliance as of March 31, 2020. Lastly, the Advisory Board Credit Rating Strength Diagnostic Tool was discussed which benchmarks the System's operating performance and capital structure metrics against the hospital medians of Moody's and S&P.

Mr. Richmond shared with the Committee that the County finalized the substitution of an Acceptable Reserve Credit Facility issued by PNC Bank for the initial Series 2017 Reserve Credit Facility issued by Bank of America in the same amount.

Geoff Himes, Vice President of Finance updated the Committee stating that during 2020 GASB had intended to implement several pronouncements that they have now recommended to be delayed until 2021. The two pronouncements that had a significant impact on MetroHealth and will likely be delayed are: GASB Statement No. 87 Leases, and GASB Statement No. 89 Accounting for Interest Cost Incurred before the End of a Construction Period.

III. NON-CONSENT/ACTION ITEMS

- A. There are no items to report at this time.

IV. CONSENT ITEMS

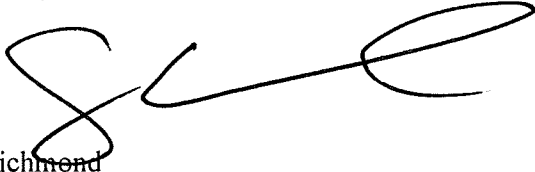
- A. A Recommendation for the Continued On-Going Assistance of Kaufman Hall as the MetroHealth System's Financial Advisor for Transformation

The Committee unanimously approved the recommendation for full Board action.

At this point in the meeting a motion was made, seconded and passed to move the Committee into Executive Session to discuss trade secrets and litigation matters. The Committee returned to regular session at 9:59 am.

There being no further business to bring before the Committee, the meeting was adjourned at 10:00 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Craig Richmond', written in a cursive style.

Craig Richmond
Executive Vice President and
Chief Financial Officer