

The MetroHealth System Board of Trustees

FINANCE COMMITTEE

February 9, 2022

Meeting held Via Zoom

Meeting Minutes

Committee Members Present: Mr. Moss, Dr. Silvers

Other Trustees Present: Ms. Dee, Ms. Chappell, Dr. Walker, Ms. Whiting

Staff Present: Mr. Bernard, Dr. Boulanger, Dr. Boutros, Mr. Himes, Dr. Li, Ms. Platten, Ms. Rajki, Mr. Richmond, Mr. Stern

Mr. Moss called the meeting to order at 8:30 am.

(The minutes are written in a format conforming to the printed meeting agenda for the convenience of correlation, recognizing that some of the items were discussed out of sequence.)

I. **Approval of Minutes**

The minutes of the November 10, 2021 Committee meeting were approved as submitted.

II. **Information Items**

GASB Update – Accounting & Financial Reporting for Pensions (GASB 68); Postemployment Benefits (GASB 75); Interest Incurred During a Construction Period (GASB 89) - Geoff Himes

Mr. Himes provided the Committee a Governmental Accounting Standards Board update. Mr. Himes provided an update on GASB 68 Accounting and Financial Reporting for Pensions stating the GASB 68 adjustment is recorded on an annual basis using the results from the OPERS actuary reports. Mr. Himes stated GASB 68



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creates an accounting liability rather than a legal liability and in Ohio there are no legal means to enforce the unfunded liability of the pension system against the public employer. Mr. Himes mentioned in Ohio, employer contributions are established by statute and constitute the full legal claim in regard to pension funding. Mr. Himes explained that the OPERS Pension Fund is currently 82.9 percent funded. Mr. Himes provided an update on GASB 75 Postemployment Benefits stating the GASB 75 adjustment is recorded on an annual basis using the results from the OPERS actuary reports. Mr. Himes explained that the OPERS Healthcare 2021 Funded Ratio is 104.2 percent funded. Mr. Himes provided a review of GASB 89 – Interest Incurred During a Construction Period stating bond interest previously capitalized during construction will now become a period cost (expensed in the Operating Statement). Mr. Himes stated there would be no impact to EBIDA, or our Covenant calculations.

Unaudited 2021 Financial and Operational Results – Craig Richmond

Mr. Richmond began by providing a review of the 2021 Financial and Operational Results compared to the 2020 Financial Results, highlighting significant items which represented a change or variance from the prior year.

Mr. Richmond proceeded by providing an overview of the Unaudited 2021 Financial and Operational Results for the period ended December 31, 2021. Mr. Richmond reported that Adjusted Earnings before Interest, Depreciation and Amortization (EBIDA) for the twelve months ended December 31, 2021 was \$189.4 million, a decrease of \$31.6 million or 14.3 percent over the same period in 2020, which had an EBIDA of \$221.0 million.

Mr. Richmond further reported that total operating income before construction interest for the twelve months ended December 31, 2021 was \$128.4 million, a \$32.5 million decrease over the same period in 2020. Mr. Richmond stated operating income was \$86.2 million for the twelve months ended December 31, 2021, compared with operating income of \$160.9 million in the same period of 2020, a decrease of \$74.7 million.

Mr. Richmond stated net investment income for the twelve months ended December 31, 2021 was \$36.6 million, compared with net income of \$32.3 million in the same period of 2020, an increase of \$4.3 million.



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Total operating revenue for the twelve months ended December 31, 2021 was \$1,568.0 million compared to \$1,469.0 million in the same period of 2020, an increase of \$99.0 million or 6.7 percent. The increase in operating revenue was attributable to: Inpatient and outpatient revenue increase of \$79.5 million due to the recovery of patient volumes impacted by the COVID-19 pandemic in the same period in 2020; Hospital Franchise Fee funding increase of \$64.8 million due to Cost Coverage Add-on payments and new directed payments; and Continuous Improvement and Care Innovation (CICIP) increase of \$6.9 million resulting from changes in the funding distribution model. The other operating revenue increased \$44.6 million or 14.0 percent, mainly due to the continued growth in retail and contract pharmacy operations, value-based care program incentives and the System's participation in the new Centers for Medicare and Medicaid Services (CMS) Direct Contracting Entity (DCE) program which is a value-based care model. For the twelve months ended December 31, 2021 the System experienced slight improvement in payor mix as compared to the same period in 2020.

Mr. Richmond noted the System recorded total operating expenses before interest, depreciation and amortization of \$1,378.7 million for the twelve months ended December 31, 2021 as compared to \$1,248.0 million for the same period in 2020, an increase of \$130.7 million or 10.5 percent. The increase in operating expenses was primarily driven by salaries, wages and benefits due to personnel and wage increases including the associated benefits, employee health plan costs and lower vacation usage; purchased services related to transformation projects, pathology core lab testing, virtual care administration, textile care, contracted services, and diversity and inclusion strategic initiatives; pharmaceutical costs related to the continued growth in retail and contract pharmacy operations and medical supplies increase due to the overall increase in patient volumes, reflected especially in implants and prosthetics.

Mr. Richmond provided a review of the Statement of Net Position as of December 31, 2021. Areas of note were (i) unrestricted cash and cash equivalents decreased \$53.3 million from prior-year-end balances primarily due to a transfer to investments, partially offset by an increase in operating cash from the prior year; (ii) other receivables increased \$42.7 million mainly due to increases in supplemental program funding for the Hospital Franchise fee program, additional grant revenue and expanded retail pharmacy operations; (iii) investments increased \$143.1 million from prior year end balances due to money market



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transfers into investments; (iv) restricted assets under bond indenture agreements decreased \$216.4 million from prior year-end balances due to bond fund draws and interest payments during the period and (v) net capital assets increased \$224.5 million from prior year-end balances due to the ongoing campus transformation, with additional progress on construction of the new hospital.

Mr. Richmond reviewed MetroHealth's bond covenants, sharing that both days cash on hand and debt service coverage are within compliance as of December 31, 2021. 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 the major credit rating agencies.

2021 Capital Projects Review – Geoff Himes

Mr. Himes proceeded with a review of the 2021 Capital Projects. Mr. Himes explained to the committee the different capital categories utilized for managing capital spend and discussed the Capital Budget spending for 2021. Highlighted capital categories included: Facilities and Construction, Information Services, and Clinical Operations. Mr. Himes highlighted several of the 2021 major projects by category.

III. Recommendation/Resolutions Approvals

A. No items at this time

There being no further business to bring before the Committee, the meeting was adjourned at approximately 9:51 am.

Craig Richmond
Executive Vice President, Financial & System
Services Officer

