

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

DATE: Wednesday, July 17, 2019

TIME: 8:00 to 10:00 am

PLACE: MetroHealth Medical Center
K107, Business Services Building

COMMITTEE TRUSTEES: Mr. Moss, Mr. Monnelly & Dr. Silvers

ADDITIONAL TRUSTEES: Ms. Dee, Mr. Hairston Jr. & Mr. McDonald

STAFF: B. Boulanger, M.D., A. Boutros, M.D., G. Himes, M. Phillips, J. Platten,
C. Richmond, M. Stern, J. Woolnough

GUESTS:

John Moss called the regular meeting of the Finance Committee to order at 8:02 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 April 17, 2019 were approved as presented.

II. INFORMATION ITEMS

Craig Richmond, Executive Vice President and Chief Financial Officer provided a brief review of the 2019 Operating Budget and the overall outlook range. Mr. Richmond proceeded by providing an overview of the Second Quarter 2019 Unaudited Financial and Operational Results for the period ended June 30, 2019. Mr. Richmond reported that Adjusted Earnings before Interest, Depreciation and Amortization (“EBIDA”) for the six months ended June 30, 2019 was \$50.2 million, an increase of \$3.1 million or 6.5 percent over the same period in 2018 which had an EBIDA of \$47.2 million. This increase in EBIDA was mainly attributed to an increase in net patient service revenue and growth in retail and contract pharmacy operations that was partially offset by growth in labor costs and patient care supply costs.

Mr. Richmond further reported that total operating income for the six months ended June 30, 2019, was \$20.7 million, compared with operating income of \$17.7 million in the same period of 2018, an increase of \$3.0 million or 17.1 percent.

Total operating revenue for the six months ended June 30, 2019 was \$625.1 million as compared to \$590.4 million in the same period of 2018, an increase of 5.9 percent. The net patient service revenue component increased \$24.4 million or 4.9 percent primarily due to growth in acute inpatient discharges of 3.5 percent and the Care Innovation and Community Improvement Program (“CICIP”). The other operating revenue component increased by \$10.4 million or 11.6 percent mainly driven by growth in retail and contract pharmacy operations. During the second quarter of 2019, the System experienced a modest improvement in payor mix as compared to the same period in 2018.

Mr. Richmond noted the System recorded total operating expenses of \$574.9 million in the six months ended June 30, 2019 as compared to \$543.2 million for the same period in 2018, which is an increase of \$31.7 million or 5.8 percent. The increase in operating expenses is primarily driven by salary and wages, purchased services, medical supplies and pharmacy costs associated with the retail pharmacy business.

Mr. Richmond provided a review of the Statement of Net Position as of June 30, 2019 as compared to December 31, 2018. Areas of note were (i) \$26.4 million increase in investments from prior year-end balances due to strong investment performance and transfers from operating cash for Select Assurance Captive; (ii) net capital assets increased \$36.9 million from prior year-end balances due to transformation planning, design and construction; and (iii) restricted assets under bond indenture agreement decreased \$28.0 million from prior year-end balances due to interest payments, and Bond Fund draws during the period; and (iv) total liabilities increased \$14.0 million from prior year-end balances primarily due to timing of payments.

Mr. Richmond reviewed Unrestricted Cash and Investment balances, noting that the second quarter of 2019 increased \$29.2 million from prior year-end due to the receipt and timing of payments. Regarding MetroHealth's bond covenants and rating agency median ratios' the System's bond covenants (days cash on hand and minimum debt service coverage ratio) are within compliance. The Advisory Board Credit Rating Strength Diagnostic Tool which benchmarks the System's operating performance and capital structure metrics against the hospital medians of the major credit rating agencies was discussed.

Michael Stern, Executive Vice President and Chief Operating Officer, and Bernard Boulanger, MD, Executive Vice President and Chief Clinical Officer, provided an overview of the 2019 Operating Performance Volumes for the three and six months ended June 30, 2019 comparing to the same period in 2018. Dr. Boulanger stated Life Flight helicopter transports continue to decline compared to last year as other hospitals have reduced the use of Life Flight helicopter services for their patient transports. Dr. Boulanger did note however that Life Flight ground transportation volumes continue to increase.

Geoff Himes, Vice President of Finance provided the mid-year 2019 Capital Spend Summary. The presentation covered the "core" Capital Budget for 2019, which excludes the 2017 Bond Funded Transformation spending. Mr. Himes shared with the committee an overview of the Capital Process at MetroHealth stating that the program efficiency has grown significantly under the redesigned process. Mr. Himes explained to the committee the different capital categories utilized for managing capital spend and shared highlights of significant capital projects underway for 2019.

Jackie Woolnough, Director Revenue Integrity provided an update on the Charge Description Master (CDM) and Pricing Transparency. Ms. Woolnough stated as of January 1, 2019 hospitals were officially required to publish their standard list of prices in a machine-readable format which can be found on the "Hospital Charges" page on the MetroHealth website along with the link to the patient cost estimator tool. Ms. Woolnough mentioned that although many charges have already been posted online for years, this new web page would provide easier access for patients. Ms. Woolnough provided a summary of changes and additions to the CDM as of June 2019 as well as discussed price setting considerations for the CDM structure.

III. NON-CONSENT/ACTION ITEMS

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

IV. CONSENT ITEMS

- A. A Recommendation for the Purchase of Certain Capital Equipment

The Committee unanimously approved the recommendation for full Board action.

- B. A Recommendation for the Approval for Donation of Equipment to the Cleveland Metroparks Zoo

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 9:45 am.

There being no further business to bring before the Committee, the meeting was adjourned at 9:46 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Craig Richmond', with a large, stylized flourish extending to the right.

Craig Richmond
Executive Vice President and
Chief Financial Officer