

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

DATE: Wednesday, July 15, 2020

TIME: 8:00 to 10:00 am

PLACE: MetroHealth Medical Center
K107, Business Services Building

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

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

STAFF: B. Boulanger, M.D., A. Boutros, M.D., N. Chegade, MD., G. Himes, 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 8:02 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 22, 2020 were approved as presented.

II. INFORMATION ITEMS

Craig Richmond, Executive Vice President and Chief Financial Officer began by providing an overview of the Second Quarter 2020 Unaudited Financial and Operational Results for the period ended June 30, 2020. Mr. Richmond reported that Adjusted Earnings before Interest, Depreciation and Amortization (EBIDA) for the six months ended June 30, 2020 was \$92.8 million, an increase of \$42.6 million or 84.7 percent over the same period in 2019, which had an EBIDA of \$50.2 million. Excluding Stimulus Funding, the EBIDA for the six months ended June 30, 2020 was \$21.7 million. The increase in EBIDA was mainly attributed to Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds (PRF) designed to provide healthcare providers financial relief associated with the revenue losses and expenses related to the pandemic. Mr. Richmond mentioned that the PRF helped offset MetroHealth's \$97.4 million loss in traditional net patient revenue caused by the deferral of elective visits, procedures and surgeries due to the COVID-19 pandemic and that implementation of a robust telehealth platform also had an impact in offsetting the revenue losses as well as growth in retail. Mr. Richmond stated the continued growth in retail and contract pharmacy operations as well as an increase from Hospital Upper Payment Limit (UPL) program also supported the year-over-year increase.

Mr. Richmond further reported that total operating income for the six months ended June 30, 2020, was \$63.1 million, compared with operating income of \$20.7 million in the same period of 2019, an increase of \$42.4 million or 204.4 percent. Mr. Richmond stated net investment income resulting from market volatility surrounding the COVID-19 pandemic for the six months ended June 30, 2020 was \$1.2 million, compared with net investment income of \$17.8 million in the same period of 2019, a decrease of \$16.6 million. In addition, Mr. Richmond stated net income for the six months ended

June 30, 2020 was \$64.3 million, compared with net income of \$38.5 million in the same period of 2019, an increase of \$25.8 million or 66.8 percent. Excluding Stimulus Funding net income for the six months ended June 30, 2020 was a (\$6.8) million loss.

Total operating revenue for the six months ended June 30, 2020 was \$687.8 million as compared to \$625.1 million in the same period of 2019, an increase of \$62.7 million or 10.0 percent. The increase in operating revenue was attributable to the federal stimulus funding of \$71.1 million provided by the CARES Act designed to provide financial relief associated with the COVID-19 pandemic impacts. The other operating revenue increased by \$48.1 million or 48.2 percent, mainly driven by the continued growth in retail and contract pharmacy operations. Additionally, hospital UPL program funding increased by \$14.4 million. During the second 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 mentioned the System received a combined \$79.4 million from the Centers for Medicare and Medicaid Services' (CMS) Accelerated and Advance Payment Program, and other Commercial payors. These advance payments are for the purpose of increasing cash flow to healthcare providers impacted by the COVID-19 pandemic and are classified as deferred revenues within other current liabilities on the Statement of Net Position.

Mr. Richmond noted the System recorded total operating expenses of \$595.0 million for the six months ended June 30, 2020 as compared to \$574.9 million for the same period in 2019, which is an increase of \$20.1 million or 3.5 percent. The increase in operating expenses is primarily driven by COVID-19 response and recovery costs including medical equipment and supplies, testing supplies, information technology and other related expenses. Other contributing factors were salary, wages and benefits due to annual wage increases including the associated OPERS pension costs, 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 June 30, 2020 as compared to June 30, 2019. Areas of note were (i) cash and cash equivalents increased \$121.4 million from prior year-end balances primarily due to CMS and Commercial Provider advance payments in the amount of \$79.4 million, related to the COVID-19 pandemic, and stimulus funding; (ii) other receivables increased \$12.6 million due to timing of payments due from Ohio's Hospital Care Assurance Program and contract pharmacy operations; (iii) prepaid expenses increased \$6.6 million due to the timing of a \$5.0 million Hospital Franchise Fee payment; (iv) investments increased \$11.5 million from prior year-end balances primarily due to transfers of cash into investments for Select Assurance Captive; (v) restricted assets under bond indenture agreements decreased \$71.6 million from prior year-end balances due to bond fund draws and interest payments during the period; (vi) net capital assets increased \$67.7 million from prior-year end balances due to transformation planning, design and construction.

Mr. Richmond reviewed MetroHealth's bond covenants, sharing that both days cash on hand and debt service coverage are within compliance as of June 30, 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 the major credit rating agencies was discussed.

Geoff Himes, Vice President of Finance provided the mid-year 2020 Capital Spend Summary. The presentation covered the \$41.5 million "core" Capital Budget for 2020. Mr. Himes shared with the committee an overview of the Capital Process at MetroHealth. Mr. Himes explained to the

committee the different capital categories utilized for managing capital spend and shared highlights of significant capital projects underway for 2020. These highlights consisted of the \$23.0 million of spent, committed and allocated capital within categories of Facilities/Construction, Information Services, Clinical Equipment, Support Services, and Strategic.

III. NON-CONSENT/ACTION ITEMS

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

IV. CONSENT ITEMS

A. A Recommendation for Approval of the Purchase of Certain Capital Equipment and Additional Associated Capital

The Committee unanimously approved the recommendation for full Board action.

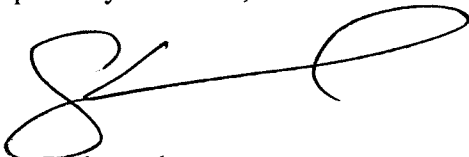
B. A Recommendation for a Donation to DigitalC, A NonProfit Corporation

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 9:58 am.

There being no further business to bring before the Committee, the meeting was adjourned at 9:59 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