

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

DATE: Wednesday, October 21, 2020

TIME: 8:00 to 10:00 am

PLACE: MetroHealth Medical Center
K107, Business Services Building

COMMITTEE TRUSTEES: Mr. Moss and Dr. Silvers

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

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

GUESTS:

John Moss called the regular meeting of the Finance Committee to order at 8:03 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 July 15, 2020 were approved as presented.

II. INFORMATION ITEMS

John Moss began by welcoming Brenda Kirk to the Finance Committee meeting.

Craig Richmond, Executive Vice President and Chief Financial officer continued by providing an overview of the Third Quarter 2020 Unaudited Financial and Operational Results for the period ended September 30, 2020. Mr. Richmond reported that Adjusted Earnings before Interest, Depreciation and Amortization (EBIDA) for the nine months ended September 30, 2020 was \$97.4 million, an increase of \$8.1 million or 9.0 percent over the same period in 2019, which had an EBIDA of \$89.3 million.

Mr. Richmond stated the increase in EBIDA was primarily due to growth in both Retail and Contract Pharmacy, quality incentives earned for performance in the Care Innovation and Community Improvement Program (CICIP), as well as the cost coverage add-on (CCA) payments associated with the Hospital Upper Payment Limit (UPL) program. Mr. Richmond mentioned that the implementation of a robust telehealth platform also had an impact in offsetting net patient revenue losses due to the COVID-19 pandemic.

Mr. Richmond further reported that total operating income for the nine months ended September 30, 2020, was \$52.8 million, compared with operating income of \$45.3 million in the same period of 2019, an increase of \$7.5 million or 16.5 percent. Mr. Richmond stated net investment income resulting from market volatility surrounding the COVID-19 pandemic for the nine months ended September 30, 2020 was \$10.7 million, compared with net investment income of \$18.6 million in the same period of 2019, a decrease of \$7.9 million. In addition, Mr. Richmond stated net income for

the nine months ended September 30, 2020 was \$63.4 million, compared with net income of \$63.9 million in the same period of 2019, a decrease of \$0.5 million or 0.7 percent.

Total operating revenue for the nine months ended September 30, 2020 was \$1.0 billion as compared to \$958.7 million in the same period of 2019, an increase of \$46.2 million or 4.8 percent. The increase in operating revenue was attributable to net patient revenue was \$773.4 million compared to \$799.2 million in the same period of 2019, a decrease of \$25.8 million or 3.2 percent. As of September 30, 2020, MetroHealth has experienced a \$73.8 million loss in traditional net patient revenues caused by the deferral/decline of elective visits, procedures, and surgeries due to the COVID-19 pandemic. Supplemental program funding has helped offset some of the patient revenue losses which consist of the following: Hospital UPL program funding increase of \$31.0 million resulting from program and CICIP increase of \$24.0 million based on achievements of quality metrics connected with the program.

The other operating revenue increased by \$71.9 million or 45.1 percent, mainly driven by the continued growth in retail and contract pharmacy operations and contract income from trauma program partnerships and healthcare services provided at Cuyahoga County Correctional Facility. During the third 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 \$907.5 million for the nine months ended September 30, 2020 as compared to \$869.4 million for the same period in 2019, which is an increase of \$38.1 million or 4.4 percent. The increase in operating expenses was primarily driven by salaries, wages and benefits due to prior and current year wage increases, medical supplies increase due to COVID-19 response and recovery costs, pharmaceutical costs and pharmacy fees related to the growth in retail and contract pharmacy operations, and hospital UPL franchise fee.

Mr. Richmond provided a review of the Statement of Net Position as of September 30, 2020. Areas of note were (i) unrestricted cash and cash equivalents increased \$185.9 million from prior year-end balances primarily due to the Centers for Medicare and Medicaid Services (CMS) and Commercial Provider advance payments in the amount of \$92.3 million, related to COVID-19 pandemic, and Stimulus Funding in the amount of \$71.3 million; (ii) net accounts receivable increased \$14.5 million due to the timing of payments associated with the recovery of patient healthcare services in the third quarter; (iii) other receivables increased \$5.9 million driven by increased contract pharmacy operations; (iv) investments increased \$26.5 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 \$133.5 million from prior year-end balances due to bond fund draws and interest payments during the period; (vi) net capital assets increased \$126.5 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 September 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.

Geoff Himes, Vice President of Finance provided an update on the CARES Act Provider Relief Funds Terms and Conditions. Mr. Himes discussed the original use of funds as relates to preventing, preparing for and responding to the coronavirus, as well as how the funds will be used to reimburse costs for healthcare related expenses or lost revenues that are attributable to the coronavirus.

Mr. Himes also discussed how lost revenue had been redefined in a September 19, 2020 Reporting Guidance Update memo from the U.S. Department of Health and Human Services (HHS). This update notice narrowed the definition of lost revenue and was the basis for moving the Stimulus Funds from our Operating Statement to our Balance Sheet.

III. NON-CONSENT/ACTION ITEMS

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

IV. CONSENT ITEMS

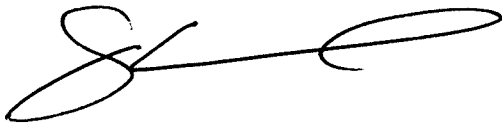
At this point in the meeting a motion was made, seconded and passed to move the Committee into Executive Session to discuss trade secrets and litigation matters. The Committee returned to regular session at 10:04 am.

A. A Recommendation for a Proposed Budget for the 2021 Fiscal Year and to Authorize the Submission of the same, to the Government of Cuyahoga County, Ohio ("County")

The Committee unanimously approved the recommendation for full Board action.

There being no further business to bring before the Committee, the meeting was adjourned at 10:05 a.m.

Respectfully submitted,



Craig Richmond
Executive Vice President and
Chief Financial Officer