

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

DATE: Wednesday, January 20, 2021

TIME: 8:00 to 10:00 am

PLACE: MetroHealth Medical Center
Virtual Zoom Meeting Only

COMMITTEE TRUSTEES: Mr. Moss and Dr. Silvers

ADDITIONAL TRUSTEES: Ms. Dee, Mr. Hairston, Ms. Kirk, Ms. Whiting

STAFF: Dr. Boulanger, Dr. Boutros, Dr. Chehade, Mr. Himes, Dr. Li., Ms. Platten,
Mr. Richmond, Ms. Rajki, Mr. Stern, Ms. 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 October 21, 2020 were approved as presented.

II. INFORMATION ITEMS

Craig Richmond, Executive Vice President and Chief Financial officer began by providing an overview of the Fourth Quarter 2020 Unaudited Financial and Operational Results for the period ended December 31, 2020. Mr. Richmond reported that Adjusted Earnings before Interest, Depreciation and Amortization (EBIDA) for the twelve months ended December 31, 2020 was \$221.4 million, an increase of \$95.6 million or 76.1 percent over the same period in 2019, which had an EBIDA of \$125.8 million.

Mr. Richmond stated the increase in EBIDA was a result of supplemental program payments including quality incentives earned for performance in the Care Innovation and Community Improvement Program (CICIP), as well as cost coverage add-on (CCA) payments associated with the Hospital Upper Payment Limit (UPL) program; stimulus funding from the CARES Act Provider Relief Fund; growth in both retail and contract pharmacy operations; increase in other revenue including contract income related to healthcare services partnerships, a Cuyahoga County grant to cover COVID-19 eligible expenses and value-based payments; and 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 twelve months ended December 31, 2020 was \$161.4 million, compared with operating income of \$67.1 million in the same period of 2019, an increase of \$94.3 million or 140.6 percent. Mr. Richmond stated net investment income for the twelve months ended December 31, 2020 was \$32.3 million, compared with net investment income of \$30.8 million in the same period of 2019, an increase of \$1.5 million.

Total operating revenue for the twelve months ended December 31, 2020 was \$1,469.1 million compared to \$1,295.5 million in the same period of 2019, an increase of \$173.6 million or 13.4 percent. The increase in operating revenue was attributable to net patient revenue was \$1,057.1 million compared to \$1,064.0 million in the same period of 2019, a decrease of \$6.9 million or 0.6 percent. As of December 31, 2020, MetroHealth has experienced a 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 the patient revenue losses which consist of the following: Stimulus Funding of \$76.7 million of which \$71.3 million was from the CARES Act Provider Relief Fund; Hospital UPL program funding increase of \$51.8 million resulting from program reforms that includes CCA payments added to MetroHealth's base rate for each Medicaid inpatient discharge and outpatient services; and CICIP increase of \$20.8 million earned for achievement of quality metrics connected with the program.

The other operating revenue increase of \$103.7 million or 44.8 percent, mainly driven by the continued growth in retail and contract pharmacy operations, a Cuyahoga County grant to cover COVID-19 eligible expenses, a contract income related to healthcare services partnerships, and value-based payments. For the twelve months ended December 31, 2020, the System experience a consistent payor mix (based on gross patient revenue) compared to the same period in 2019.

Mr. Richmond noted the System recorded total operating expenses of \$1,247.6 million for the twelve months ended December 31, 2020 as compared to \$1,169.7 million for the same period in 2019, an increase of \$77.9 million or 6.7 percent. The increase in operating expenses was primarily driven by salaries, wages and benefits due to prior and current year wage increases including the associated OPERS pension costs, contract labor and employee health plan costs; medical supplies increase due to COVID-19 response and recovery costs; pharmaceutical costs related to the growth in retail and contract pharmacy operations; and hospital UPL franchise fee and contracted pharmacy fees.

Mr. Richmond provided a review of the Statement of Net Position as of December 31, 2020. Areas of note were (i) unrestricted cash and cash equivalents increased \$232.3 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 \$89.3 million, related to COVID-19 pandemic, and Stimulus Funding in the amount of \$76.7 million; (ii) net accounts receivable increased \$8.4 million due to the timing of payments associated with the recovery of patient healthcare services in the fourth quarter; (iii) other receivables increased \$9.9 million driven by increased contract pharmacy operations; (iv) investments increased \$54.5 million from prior year-end balances primarily due to strong investment performance and transfers of cash into investments for Select Assurance Captive; (v) restricted assets under bond indenture agreements decreased \$180.4 million from prior year-end balances due to bond fund draws and interest payments during the period; (vi) net capital assets increased \$179.2 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 December 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 the major credit rating agencies.

Geoff Himes, Vice President of Finance updated the Committee on GASB 68 Pension and GASB 75 OPEB, stating that the GASB 68 and GASB 75 adjustment is recorded on an annual basis using the results from the OPERS actuary reports. Mr. Himes explained that the OPERS Pension Funding

Status is currently 79.5 percent funded. Mr. Himes also provided an update on the Net Pension and OPEB Liability. Similar to prior year's discussions, Mr. Himes explained that although the pension liabilities recognized in accordance with GASB Statement No. 68 and GASB Statement No.75 meet the definition of a liability in its conceptual framework for accounting standards, they do not represent legal claims on the System's resources, and there are no cash flows associated with the recognition of net pension liabilities, deferrals and expense.

Mr. Himes provided a review of the 2020 Capital Spend Summary. Mr. Himes explained to the committee the different capital categories utilized for managing capital spend and discussed the Capital Budget spending for 2020. Highlighted capital categories included: Facilities and Construction, Information Services, Clinical Equipment, and Support Services and Strategy. Mr. Himes highlighted that the capital spend continues to be focused on new services, patient access and strategy initiatives, while routine and replacement capital is analyzed/approved through the lens of the Campus Transformation.

Jaclyn Woolnough, Director Revenue Integrity provided an update on the recent revisions to the Charge Description Master (CDM). Ms. Woolnough provided an overview of pricing, the types of charges, methods of reimbursement, government regulations, payor contracts, market position, consumer impact and cost of services. Ms. Woolnough shared that the Department of Revenue Integrity continuously provides department level reviews with management of processes and charges to ensure all billable charges are represented in the CDM. As part of this process, CDM reviews and updates are regularly performed to ensure compliance with the respective payors rules. Lastly, Ms. Woolnough reviewed changes and additions to the CDM for 2020 and which departments were impacted by the changes.

III. NON-CONSENT/ACTION ITEMS

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

IV. CONSENT ITEMS

A. There are no items to report at this time

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 9:57 am

There being no further business to bring before the Committee, the meeting was adjourned at 9:58 am.

Respectfully submitted,



Craig Richmond
Executive Vice President and
Chief Financial Officer