

The MetroHealth System Board of Trustees

FINANCE COMMITTEE

May 11, 2022

Meeting held at MetroHealth & Via Zoom

Meeting Minutes

Committee Members Present: Mr. Moss, Dr. Silvers

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

Staff Present: Dr. Boulanger, Mr. Himes, Ms. Jacono, Dr. Lewis, Dr. Li, Ms. Morales, Ms. Platten, Ms. Rajki, Mr. Richmond, Mr. Stern, Mr. Sukalac

Mr. Moss called the meeting to order at 8:29 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 February 9, 2022 Committee meeting were approved as submitted.

II. **Information Items**

Financial and Operational Results for the three months ended March 31, 2022 – Craig Richmond

Mr. Richmond began by providing a review of the first quarter 2022 Unaudited Financial and Operation Results compared to the first quarter 2021 Financial Results, highlighting significant items which represented a change or variance from the prior year.



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Mr. Richmond proceeded by providing an overview of the Financial and Operational Results for the three months ended March 31, 2022. Mr. Richmond reported that Adjusted Earnings before Interest, Depreciation and Amortization (EBIDA) for the three months ended March 31, 2022, was \$40.6 million, an increase of \$7.8 million or 23.9 percent over the same period in 2021, which had an EBIDA of \$32.8 million.

Mr. Richmond further reported that total operating income before construction interest for the three months ended March 31, 2022, was \$23.8 million, a \$6.2 million increase over the same period in 2021. Mr. Richmond stated operating income was \$13.1 million for the three months ended March 31, 2022, compared with operating income of \$7.2 million in the same period of 2021, an increase of \$5.9 million.

Mr. Richmond stated net investment loss for the three months ended March 31, 2022, was \$22.5 million, compared with net investment income of \$9.1 million in the same period of 2021, a decrease of \$31.6 million due largely to market decline stemming from rising inflation and interest rates, as well as international conflicts.

Total operating revenue for the three months ended March 31, 2022, was \$396.2 million compared to \$359.2 million in the same period of 2021, an increase of \$37.0 million or 10.3 percent. The increase in operating revenue was primarily attributable to: Other operating revenue increased \$38.4 million or 46.6 percent mainly due to the continued growth in retail pharmacy operations, shared savings related to total cost of care program, and the System's participation in the new Centers for Medicare & Medicaid Services (CMS) Direct Contracting Entity (DCE) program. DCE is a value-based care model where the System is paid on a capitated model for patients aligned to the DCE. For the three months ended March 31, 2022, the System experienced a slight improvement in payor mix as compared to the same period in 2021.

Mr. Richmond noted the System recorded total operating expenses before interest, depreciation, and amortization of \$355.6 million for the three months ended March 31, 2022, as compared to \$326.4 million for the same period in 2021, an increase of \$29.2 million or 8.9 percent. The increase in operating expenses was primarily driven by salaries, wages and benefits due to personnel and wage increases; pharmaceutical costs related to the continued growth in retail pharmacy operations; other expenses primarily due to the Hospital Franchise Fee assessment related to the Hospital Upper Payment Limit program reforms and System



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marketing and the increase in operating expenses was partially offset by a decrease in plant operations, driven by reduced lease/rent expense resulting from the implementation of GASB Statement No. 87 Leases.

Mr. Richmond provided a review of the Statement of Net Position as of March 31, 2022. Areas of note were (i) unrestricted cash and cash equivalents decreased \$51.4 million from prior-year-end balances primarily due to the timing of payroll payments and the repayment of advance payments; (ii) investments decreased \$20.7 million from prior year-end balances driven by unrealized losses due to market conditions; (iii) restricted assets under bond indenture agreements decreased \$43.4 million from prior year-end balances due to bond fund draws and interest payments made during the period; (iv) net capital assets increased \$46.2 million from prior year-end balances due to the ongoing campus transformation, with additional progress on construction of The Glick Center and Behavioral Health Hospital in Cleveland Heights; (v) implementation of GASB Statement No. 87 Leases, which resulted in net additional assets of \$61.9 million as compared to prior year-end.

Mr. Richmond reviewed MetroHealth's bond covenants, sharing that both days cash on hand and debt service coverage are within compliance as of March 31, 2022. 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.

Mr. Moss indicated that all further matters to be considered at this meeting involved discussion of trade secrets, matters required to be kept confidential by law, personnel matters, as well as information subject to the attorney-client privilege. Upon unanimous roll call vote, the Committee went into Executive Session to discuss such matters at 9:27 a.m.

III. Executive Session

Following Executive Session, the meeting reconvened in open session at 9:45 am.



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IV. Recommendation/Resolutions Approvals

A. A Recommendation for Approval of Replacement Line of Credit

The background was discussed in Executive Session. The Committee unanimously approved the recommendation for full Board action.

B. A Recommendation for the Approval of Modifications to the Leasing Structure of the Brecksville Health Center

The background was discussed in Executive Session. 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 approximately 9:47 am.

Craig Richmond
Executive Vice President, Financial & System
Services Officer