

The MetroHealth System Board of Trustees

FINANCE COMMITTEE

February 28, 2024

2:15-3:40 pm

The MetroHealth Board Room K107 or Zoom <https://us02web.zoom.us/j/82877117816>

Meeting Minutes

Committee E. Harry Walker MD-I, John Moss-I

Members Present:

Other Trustees Present: Inajo Chappell- R, E. Harry Walker-I, Maureen Dee-I, John Corlett-I, E. Harry Walker MD-I, Vanessa Whiting-R

Staff Present: Dr. Airica Steed- R, Nicholas Bernard-I, Kate Brown-I, Dr. Nabil Chehade-I, Derrick Hollings-I, Dr. Olusegun Ishmael-I, Dr. William Lewis-I, Christina Morales-I, Dr. Holly Perzy-R, Allison Poulious-I, Sonja Rajki- R, Brad Schwartz-I, Nicholas Sukalac-R, Dalph Watson-I, Melissa Kline-I, Dr. Christine Alexander-R, Tamika Rose-I, Joseph Frolik-R

Guests Present: Adam Blake-I (Clearstead), Claire Shue-I (Clearstead), Rob Junqua (Bank of America), Sabrina Roberts-R

Mr. Moss called the meeting to order at 2:15 pm, in accordance with Section 339.02(K) of the Ohio Revised Code.

(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 October 25, 2023, Finance Committee meeting were approved as submitted.

II. Information Items

A. Fourth Quarter 2023 Investment Performance

Mr. Moss reminded the committee that the Finance Committee acts as the Investment Committee for the System to go over the investment issues and introduced Adam Blake to present the investment summary for the fourth quarter of 2023.

Mr. Blake, Senior Managing Director from Clearstead (the System's investment advisor) started by introducing his colleague, Clair Shue. Ms. Shue gave a brief bio. Mr. Blake then



reviewed the Oversight Dashboard, which captures important activities required for appropriate investment portfolio management and subcommittee oversight.

Mr. Blake provided the subcommittee with an economic and market update, as well as a review of the investment portfolio's performance in the fourth quarter of 2023. Mr. Blake also provided an investment policy review. Mr. Blake stated that Clearstead will provide education on ESD (Environmental, Social and Governments) at the next meeting.

Mr. Blake discussed the economic landscape, with economic growth greater than expected for 2023. With the employment picture very strong and inflation continuing to trend downward. There is anticipation of a federal interest rate cut come summer of 2024. Bonds and stocks rallied in the fourth quarter of 2023. System investments were \$590 million at the end of 2023. With select assurance investments at \$113 million. Bringing the total system investments of just over \$700 million for 2023. Collectively the investments were up over \$41 million in 2023.

Mr. Blake provided a summary of recommendations for U.S. large cap consolidation and rebalancing of growth and value. Such as selling AQR Defensive Equity and reallocate the proceeds to Vanguard 500 Index and Vanguard Social Index. Also Harbor Capital Appreciation was up 54% in 2023 from exposures to large cap technology. It would be prudent to rebalance Harbor with its value counterpart, DFA large cap value. The second part of the recommendation is to eliminate dedicated emerging markets position and reallocate to developed international positions. Total effect of these both changes will see reduced fees with the second recommendation reducing marked exposure from 10% to 2% of the international portfolio.

B. Fiscal Year 2023 Financial Results – Dr. Steed, D. Hollings

Mr. Hollings began by introducing Dr. Steed to speak about the 2023 financial results. Dr. Steed highlighted that they System closed the year above target due to an increase in net revenue; particularly in pharmacy. In conjunction with the combined launch of the MetroWay Forward financial and operational transformation journey, which is geared to achieve cost efficiencies and revenue enhancements.

Dr. Steed then turned over the discussion to Mr. Hollings. Mr. Hollings proposed a few changes to the format of the presentation format. Mr. Hollings then presented a graph format that relayed information from pre-Covid through the 2023 budget regarding discharges, emergency visits, outpatient visits and surgical cases. Net patient service revenue increased \$96.9 million or 8.3%. Mr. Hollings spoke about discharges returning back to the pre-covid rate. Emergency visits generate roughly 80% of the hospital discharges and in-patient activities. Surgical cases are back to 2019 levels and are rising with the trend

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continuing into 2024. Outpatient visits are experiencing strong growth, with an increase in telehealth visits from 2019 levels.

Mr. Hollings spoke about other revenue, with an increase of \$110.9 million or 24.5%, mainly due to the continued growth in retail pharmacy operations. The capture rate on prescriptions written by MetroHealth physicians in 2019 was about 25%, as of 2022 that capture rate moved to 42%. In 2023 the capture rate was 50%.

Mr. Hollings discussed EBIDA for the twelve months ended December 31, 2023, was \$138.8 million, an increase of \$1.3 million or 0.9% over the same period in 2022, which had an EBIDA of \$137.5 million. Investments increased \$1.6 million from prior year-end balances driven by improved market conditions and partially offset by investment disbursements. Net income for the twelve months ended December 31, 2023, was \$31.2 million, compared with net loss of \$24.6 million in the same period of 2022, an improvement of \$55.8 million. The System recorded total operating expenses before interest, depreciation, and amortization of \$1.7 billion for the twelve months ended December 31, 2023, as compared to \$1.5 billion for the same period in 2022, an increase of \$206.5 million or 14.0%.

IV. Executive Session

Mr. Moss asked for a motion to move into executive session to discuss hospital trade secrets as defined by ORC 1333.61. Dr. Walker moved and Ms. Inajo Chappell seconded the motion. The Board held a roll call vote with all Trustees voting to approve the motion to go into executive session for the purpose stated by Mr. Moss.

Members of the public were excused. The Board went into executive session to discuss the identified matters at 3:00 pm.

Following the executive session, the meeting reconvened in open session at approximately 3:38 pm and welcomed back the public via Zoom and those members of the public who remained in-person. Mr. Moss stated there was no further business to bring before the Committee, the meeting was adjourned at approximately 3:40 pm.

Derrick Hollings,
Chief Financial Officer

