

The MetroHealth System Board of Trustees

FINANCE COMMITTEE

October 23, 2024

1:30 pm - 3:30 pm

K107 Board Room / via Zoom

Meeting Minutes

Committee Members Present: John Moss-I, E. Harry Walker, M.D.-R, Sharon Dumas-I, Ronald Dziedzicki-I

Other Trustees Present: Inajo Davis Chappell-R, John Corlett-I, Maureen Dee-I, Nancy Mendez-I, Michael Summers-I

Staff Present: Christine Alexander, M.D.-I, Nicholas Bernard-I, James Bicak-I, Victoria Bowser-R, Phillip Brooks-R, Kate Brown-I, Nabil Chehade, M.D.-R, Joe Frolik-I, Cindy Gallaspie-I, Derrick Hollings-I, Olusegun Ishmael, M.D.-R, Barbara Kakiris-I, William Lewis, M.D.-I, Christina Morales-I, Holly Perzy, M.D.-R, Allison Poullos-I, Tamiyka Rose-I, Brad Schwartz-I, Adam Winston-R, James Wellons-I, Peter Benkowski-I, Kathleen Rizer-R, Joseph Golob-I, Mary Jo Murray-I, Ryan Mezinger-I, Ronald Walker-I, Adam Winston-R, Darlene White-R,

Guests Present: Adam Blake-I, Gordy Sofyanos-R, Jacob Pritkin-R,

Mr. Moss called the meeting to order at 1:40 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 August 28, 2024, Finance Committee and Investment subcommittee meeting were approved as submitted.

II. **Information Items**

A. 3rd Quarter 2024 Investment Performance – A. Blake, Clearstead

Adam Blake with Clearstead (the System's investment advisor) provided an update on the investment results and reviewed the oversight dashboard, which captures important activities required for appropriate investment portfolio management



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and subcommittee oversight. Mr. Blake provided the subcommittee with a review of the investment portfolio's performance in the third quarter of 2024.

Economic and market update:

Since the last quarter, the Federal Reserve cut interest rates in September due to lower inflation and some weakness in employment. The S&P 500 Q2 2024 earnings came in at +11.2% YoY, ahead of expectations. Market returns broadened, with Feb 5 stocks collectively down for the quarter while the rest of the S&P 500 index was up 6.1%. During the quarter, US value stocks outperformed growth stocks by 7%. Fixed income markets rallied on the prospect of the Federal Reserve more aggressively lowering rates. Investment and economic outlook are slow, but growth is expected as the Federal Reserve balances inflation, employment, and economic conditions. There are likely to be two additional interest rate cuts by year-end, and central banks will continue to ease globally which should promote growth. S&P 500 earnings are expected to grow around ~10% for calendar year 2024 and ~15% for 2025.

Mr. Blake provided a snapshot of the investment numbers for the total system. As of September 30, 2024, total cash and unrestricted investments for the system is \$580,721,794, inclusive of \$467,502,036 of investments, \$104,909,252 of cash on hand and \$8,310,506 of other investments. Additionally, Select Assurance total cash and unrestricted investments is \$122,309,448, inclusive of \$109,384,036 of investments and \$12,925,412 cash on hand. Collectively, the system has \$703,031,242 in investments. To date, approximately \$37 million was made this year, attributed to 18.6% of aggressive investments. The total amount made this year from non-reserve funds and Captive has made the system nearly \$50 million in the stock market, on top of 23.1% last year from our stock performance from non-reserve funds.

B. Second Quarter 2024 Financial Results

Derrick Hollings presented the unaudited financial results, highlighting an EBIDA for the nine-month period ending September 30, 2024, is \$83 million, falling short of the \$21 million budget and \$6 million behind the nine-month period ending September 30, 2023, with an EBIDA margin of \$89 million. Net patient revenue is unfavorable to budget by \$34 million due to lower-than-expected surgical discharges and volumes at the Cleveland Heights Behavioral Health Hospital, which lagged behind budget despite showing growth over the prior year. Emergency department visits exceeded the year-to-date budget by 9% and prior year by 6%. Inpatient discharges from the Emergency Department is 79%, exceeding budget by 11% and this is consistent with



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prior year. Overtime & contract labor are within budget and have been reduced by 29% over prior year. Full-time equivalents and the associated salaries, wages, and benefit costs are below budget by 3%. Retail pharmacy prescriptions continue to grow, increasing 14% over prior year, while drug costs exceed budget by 17%.

Management continues its implementation of the performance improvement plan as MetroWay Forward improvement initiatives of \$35 million are falling behind schedule for the year. EBIDA projections for 2025 have been lowered to \$125 million, and management will continue working on achieving the \$140 million original EBIDA target. Total discharges & observations exceeded the prior year by 2.3%, while emergency visit volumes exceeded the budget by 8.7%. Total operating revenues increased 8.8% from the prior year, alone with increases in salaries and wages, employee benefits, purchased services, medical supplies, pharmaceuticals, plant operations, non-medical supplies, operating losses, and other expenses.

IV. Executive Session

Mr. Moss asked for a motion to move into an executive session to discuss hospital trade secrets as defined by ORC 1333.61. Mr. Dziedzicki moved, and Ms. Dee seconded the motion. The Board held a roll call vote with all Trustees present 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 2:30 pm. Following the executive session, the meeting reconvened in an open session at approximately 3:30 pm and welcomed back the public via Zoom and those members of the public who remained in person.

Return to Open Meeting

IV. Recommendation/Resolution Approvals

A. Approval of Renewal of Line of Credit

Mr. Moss noted the need for the resolution was discussed in the executive session. Mr. Moss asked for a motion for the approval of the renewal of a line of credit, which was given, seconded and the resolution was passed to be presented to the Board of Trustees for approval.

B. Approval of Additional Capital Expenditures for Capital Improvements to the System's Apex Outpatient Health Center (OHC) Project and Main Campus Outpatient Pavilion



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Mr. Moss noted the need for the resolution was discussed in the executive session. Mr. Moss asked for a motion for the approval of additional capital expenditures for capital improvements to the System's Apex Outpatient Health Center) Project and Main Campus Outpatient Pavillion, which was given, seconded and the resolution was passed to be presented to the Board of Trustees for approval.

With no further business to bring before the Committee, the meeting was adjourned at approximately 3:33 pm.

Respectfully submitted,

Derrick Hollings,
EVP, Chief Financial Officer