

The MetroHealth System Board of Trustees

FINANCE COMMITTEE

May 28, 2025

1:00 pm - 3:00 pm

K107 Board Room / via Zoom

Meeting Minutes

Committee Artis Arnold, III-R, John Moss-I, E. Harry Walker, M.D.-I,

Members Present: Sharon Dumas-I, Ronald Dziedzicki-I

Other Trustees John Corlett-I, Nancy Mendez-I (late), Michael Summers-I

Present:

Staff Present: Christine Alexander-Rager, M.D.-I, Robin Barre-I, Peter Benkowski-I, Nicholas Bernard-R, James Bicak-I, Victoria Bowser-I, Phillip Brooks-R, Kate Brown-I, Nabil Chehade, M.D.-I, William Dube-R, Joseph Golob, M.D.-I, Geoff Himes-I, Derrick Hollings-I, Ryan Johnson-R, Kinsey Jolliff-I, William Lewis, M.D.-I, Dr. Candy Mori-I, Kate Nagel-I, Holly Perzy, M.D.-I, Allison Poullos-I, Tamiyka Rose-I, Brad Schwartz-I, Deborah Southerington-I, James Wellons-I, Ryan Mezinger-I, Ronald Walker-I, Darlene White-I, Mara Wilber -I, Patrick Woods-I

Invited Guests: Adam Blake-I, David Strickland-I

Other Guests: Guests not invited by the Board of Trustees are not listed as they are considered members of the audience and some were not appropriately identified.

Mr. Moss called the meeting to order at 1:05pm, 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 February 26, 2025, Finance Committee and Investment subcommittee meeting were approved by majority vote as submitted.



The MetroHealth System Board of Trustees

II. Information Items

A. Investment Committee Report – *A. Blake, D. Strickland - Clearstead*
Adam Blake introduced David Strickland, a new partner with Clearstead (the System's investment advisor), provided updates on the oversight dashboard and reviewed investment performance through the end of March 2025.

Economic and market update:

Mr. Strickland and Mr. Blake provided the capital markets review, noting that 2025 began with significant policy uncertainty, particularly regarding tariffs, which contributed to market volatility. This uncertainty led to slower growth and higher inflation concerns, resulting in negative returns for U.S. equities declining by 10%, particularly growth stocks. In contrast, international equities outperformed due to a weaker dollar, and value stocks surpassed growth stocks. Diversified portfolios performed well in the first quarter, as fixed income markets showed positive performance. Mr. Strickland further explained that the S&P 500 experienced significant volatility, with a 19% drawdown in response to tariff announcements. However, markets rebounded sharply after a 90-day pause on reciprocal tariffs, leading to slightly positive year-to-date returns for U.S. equity markets. The Federal Reserve is adopting a wait-and-see approach, monitoring tariff impacts and signaling potential rate cuts in the latter half of the year if growth slows and the labor market weakens. Positive returns in fixed income were driven by lower yields, and despite some widening of credit spreads, a diversified portfolio proved beneficial. Mr. Strickland noted that the current higher-yield environment is a positive for the bond outlook, as it will help reduce overall portfolio volatility, provide higher income, and support the System's long-term goals.

Mr. Strickland transitioned the discussion to investment performance. All investments were found to comply with the Ohio Revised Code and MetroHealth's investment policy guidelines. Most investments outperformed their benchmarks for the quarter, with no qualitative concerns. The portfolio maintained high-quality fixed income assets and strong diversification. As of the end of March 2025, the System held \$527 million in investments, with an additional \$119 million in the Select Assurance Captive, totaling approximately \$646 million. For the quarter, the system's investments were flat. The non-reserve pool, which has equity exposure, was down, but this was offset by gains in the reserve pool, which consists of cash and short-term fixed income. On a one-year basis, system investments were up 5.6%. The Select Assurance Captive, with a 50/50 stock-bond allocation, posted slight gains. As of May 16, 2025, system investments (excluding Captive) were valued at \$528 million, with the reserve pool exceeding \$300 million.

The non-reserve pool, which includes equities, gained approximately \$8 million or 5–6% in the second quarter, indicating a strong rebound. The strategic asset



The MetroHealth System Board of Trustees

allocation review was then presented. Clearstead's annual 10-year market capital assumptions showed slightly lower equity return expectations and higher fixed income and cash returns compared to the previous year. Applying these assumptions, the long-term forecast estimated a 4% return for the reserve and short-term pools, and a 6% return for the long-term pool for a combined system return of around 4.5% and a 6% return for the Captive. A sensitivity analysis was presented to stress test the portfolio. The analysis estimated that if equity markets were down 15% and bond yields shifted down by 50 basis points, the total system investments would only be down about 0.8% to 1%, or about \$4 million, highlighting the portfolio's conservative nature.

B. April 2025 Interim Financial Report - *D. Hollings*

Derrick Hollings, EVP – Chief Finance & System Services Officer, presented the financial report for April 2025 to the Committee. Mr. Hollings began with operational metrics, noting steady growth in total discharges and observations since 2023, although slightly below budget. Inpatient discharges showed significant growth, attributed to the “Glick effect”—the impact of a new, modern facility. This growth is notable, considering stagnant inpatient volumes nationwide. Emergency department (ED) visits remained strong, with 81% of admissions originating from the ED, aligning with budget expectations. Patient experience scores also improved, reflecting operational efficiency and quality care. While total surgical cases (inpatient and outpatient) have grown year-over-year, there has been a significant shift from inpatient to outpatient surgical cases. Inpatient surgeries have decreased from 2023 to 2025, contrary to expectations and planning. The leadership team is implementing initiatives to increase volumes and improve efficiency. Current surgical capacity utilization at the Glick Center is about 17 out of 20 rooms, indicating slack capacity due to staffing constraints and efficiency needs. Maximizing current capacity is a priority before investing in additional operating room space. Efforts are underway to improve the first case on-time start rate, currently at 65% (below the 90% industry standard), and optimize block utilization. Outpatient visits and their downstream revenues now account for approximately 70% of gross charges, a significant shift from previous years when inpatient services drove the economics. This change necessitates a continuous process of reallocating resources and right-sizing operations. Total operating revenues for April 2025 exceeded the budget by \$3 million, reducing the year-to-date unfavorable variance to \$8.7 million. The EBIDA for April was \$14.4 million, exceeding the budget of \$11.1 million and marking the highest EBIDA requirement in the first four months. Year-to-date EBIDA stands at \$28.4 million, a \$7.5 million improvement over the same period last year, although the target of \$40 million was not met.



The MetroHealth System Board of Trustees

Year-to-date operating income also demonstrates improvement, with a \$20.5 million loss compared to a \$31 million loss in 2024, indicating movement in the right direction despite not being at the planned pace.

C. Uncompensated Care Analysis – N. Chehade

Nabil Chehade, MD, Senior EVP Chief Clinical Transformation Innovation & Strategy Officer, presented an update on uncompensated care to the Committee.

Dr. Chehade defined uncompensated care as having two components: bad debt and charity care. Bad debt refers to amounts owed by insured patients who do not pay (co-pays, deductibles), while charity care is for uninsured or underinsured patients determined unable to pay their portion of care. Geographically, 90% of charity care recipients are residents of Cuyahoga County. Analysis of uncompensated care from 2020 to 2025 revealed a concerning trend. From 2020 to 2023, total uncompensated care remained stable, ranging from \$226 million to \$249 million. However, a significant escalation is projected from 2023 to 2025. The total uncompensated care is expected to jump from \$249 million in 2023 to an estimated \$449 million by the end of 2025, a \$200 million increase within two years. Digging deeper, the growth in charity care is notably higher than that of bad debt, which has stabilized due to tighter revenue cycle processes. Charity care alone is projected to more than double from \$180 million in 2023 to \$369 million in 2025, indicating unsustainable growth.

When viewed as a proportion of total operating revenue, charity care remained around 10-11% from 2020-2023. This percentage rose to 15.2% in 2024 and is expected to reach 18.3% by year-end 2025. Including bad debt, uncompensated care could reach approximately 22% of total operating revenue. It was noted that these uncompensated care numbers are believed to be at least ten times higher than competitors in the community, though direct "apple to apple" comparisons are difficult due to differences in reporting cost versus charges.

III. Executive Session

Mr. Moss asked for a motion to move into executive session to discuss hospital trade secrets as defined by ORC 1333.61. Ms. Dumas made a motion and Mr. Dziedzicki seconded. Upon unanimous roll call vote, the Committee went into executive session to discuss such matters stated by Mr. Moss. Members of the public were excused, and the Committee went into executive session to discuss the identified matters at 1:54 pm.

Return to Open Meeting



The MetroHealth System Board of Trustees

Following the executive session, the meeting reconvened in open session at approximately 2:50 pm and welcomed back the public via Zoom and those members of the public who remained in person.

With no further business to bring before the Committee, the meeting was adjourned at approximately 2:51 pm.

Respectfully submitted,

Geoff Himes, Interim Chief Financial Officer

