Dear MetroHealth Family,

Today, we are announcing that MetroHealth is taking the most significant step yet in the revitalization of our main campus. We’ve decided to move forward with the campus transformation – and expect to do so on our own credit – to build a new nine-story hospital on our main campus.

An artist’s concept of that new hospital is what you see on the previous page.

This is the next big step on a long journey that started years ago. That journey is just as important as the new hospital we need to build. And so I’d like to take a little time to talk about how far we’ve come.

In 2011, an international strategy and consulting firm issued a five-year forecast that was bleak:

We were going to end 2015 more than $40 million in the red, the firm said. We might break even, they added, if we fired 700 employees. That was in addition to the 600 jobs we’d already cut.

The consultants left us with three options:

- We could sell to a competitor
- We could wind down operations
- Or we could reinvent MetroHealth. We could create a health care system that was more vital and valuable to the entire community

Reinvent is what we’ve done.

And a really big part of that reinvention has been the way we deliver care.

We have shifted from treating illness to caring for people. We focus on prevention by providing proactive, team-based management of disease and foresighted, coordinated care to everyone. As a result, people are paying less to stay well instead of more to get well.

This is population health – something you can’t do without access. And we are providing that access.

We are not just a hospital and a few health centers anymore. We have five MetroExpressCare sites, four clinics in Discount Drug Marts, nine pharmacies, four emergency departments and eight locations with advanced diagnostics. We provide care in the schools, in the jail, to children in foster care and through many other community partnerships.

We have introduced a revolutionary concept in care delivery – the bedless hospital – in Brecksville, Parma and Cleveland Heights. In those bedless hospitals, you can receive 90 percent of the care you need without the high cost of an inpatient stay.

These are not just a collection of sites. They work together as an Integrated Delivery System that has its backbone in our award-winning electronic medical record system. As a result, we coordinate every step of the care journey. We have a wider view – a comprehensive view – of patient care.
In addition to these care delivery improvements, we have completely revamped our operations, making the management of the health system more integrated, consumer-focused and efficient. That’s why we moved to service line and dyad structures.

We are also wrapping our medical services with support services such as patient navigators and care managers to help patients so they don’t miss important appointments, their medication doesn’t run out and they don’t find themselves in the hospital with a stay that sets them back personally and financially.

All of these changes are designed to make people’s lives better. But the great thing is that they’ve resulted in incredible cost savings for employers, insurers and government payers. As those payers move to paying for value, the value MetroHealth provides, we will achieve even greater financial success – financial success that equals our clinical success. And that money will be turned around and reinvested in our community.

Meanwhile, our finances have improved despite many challenges. For example, in 2016 alone, we saw $50 million in cuts from Medicaid, from our county support and from the loss of trauma revenue.

Our success, in large part, is due to the increasing number of patients who choose MetroHealth for their care. In the past 3½ years, the number of patients who come to MetroHealth for care has increased by nearly 67,000 in a county that is not growing in population.

We couldn’t have attracted those new patients if we didn’t have our expanded network of health centers, emergency departments and other services. And we expect that number to continue to increase because of offerings like our new HMO, CLECare, a partnership with Medical Mutual of Ohio.

In 2015 – instead of being more than $40 million in the red like the experts predicted – we ended the year with nearly $30 million in operating income. That’s $70 million better than those forecasters predicted. And it was our eighth straight year of operating in the black.

This year, we’ll hit $1 billion in revenues. And we expect to end 2016 with positive cash margins again.

As importantly, we’re investing in our future. And we are investing in people.

We’ve hired 1,200 additional people over the past four years. And we’ve extended our commitment to them. Today, no MetroHealth employee earns less than $12 an hour.

We’ve built new facilities and invested in new technologies to the tune of $300 million over the past five years. And we did all of this under our own steam.

What was just described to you is rare in the not-for-profit hospital world and virtually impossible for public hospitals. Hospitals like us are usually relying on very large annual public support. Look at Jackson Health System in Florida. It has a similar payer mix to us and receives nearly $390 million in annual support from taxpayers.

Or take a look at New York City Health and Hospitals, which is facing a more than $6 billion shortfall through 2020.
It is this strategic and financial growth that we’re taking to the bond market as we pursue financing so we can move forward with the campus transformation.

Pursuit of this financing plan was recently approved by our Board of Trustees.

It doesn’t change our relationship with the county. And it doesn’t change our mission. We’re still here to serve everyone.

What this does do is give us more flexibility and provide us with an opportunity to be more cost effective and faster than if we sought out other sources of funding.

We’ve been at this since 2011. It’s time.

We expect to move quickly due to the increasing number of repairs required to maintain our facilities. In the past 10 years, our number of work orders has increased 400 percent. These work orders are expensive. Since 2005, we’ve spent $80 million patching and repairing our buildings so our patients and their families can be safe. The risk to our facilities is real and unrelenting.

Our patients deserve better.

The design, construction, and equipment cost of the revitalization is $855 million. That’s less than the $930 million the consultants said we needed to renovate and modernize existing buildings through 2023.

This is also a unique moment in the market. We have near historic interest rate lows that make this an optimal time to borrow.

We have laid out a four-month plan to secure the financing. It is an aggressive timeline. But we’ve already started by hiring an investment banker to help us prepare the bond financing plan.

This isn’t about us. This is a social justice issue. Our patients – and everyone in Cuyahoga County – deserve better than the facility we have. Cleveland is undergoing an amazing renaissance right now. It’s a renaissance that will not work if some people are left behind. We’re doing all we can to make sure that doesn’t happen.

Thank you for your patience as we’ve worked toward this transformation, not just of MetroHealth or Cleveland’s West Side but of health care for all of Cuyahoga County.

Thank you even more for making it happen.

Regards,

Akram Boutros, MD, FACHE
President and Chief Executive Officer
The MetroHealth System