

**THE METROHEALTH SYSTEM
FINANCE COMMITTEE
BOARD OF TRUSTEES
REGULAR MEETING MINUTES**

DATE: Tuesday, January 24, 2017

TIME: 12:00 – 2:00 pm

PLACE: MetroHealth Medical Center
K107, Business Services Building

COMMITTEE TRUSTEES: Mr. McDonald, Mr. Monnolly and Dr. Silvers

ADDITIONAL TRUSTEES: Ms. Dee and Mr. Spain

STAFF: B. Boulanger, M.D., A. Boutros, M.D., FACHE, N. Chehade, M.D., G. Himes, J. Kerkay, D. Lewis, M. Phillips, C. Richmond and M. Stern

Dr. Silvers called the regular meeting of the Finance Committee to order at 12:14 p.m. Please note the minutes are written to conform to the printed agenda and are not necessarily in the order of discussion.

- I. The minutes of the regular meeting held on December 20, 2016 were approved as presented.

II. INFORMATION ITEMS

Craig Richmond, Senior Vice President and Chief Financial Officer began the meeting by revisiting the monthly financial reporting changes that were originally discussed at the September Finance Committee meeting and have been stated in the Management Discussion and Analysis since that time. New operating targets were established for the reporting periods August through December 2016, and the current report compares operating results to the December 2016 month, fourth quarter and year-to-date target.

Mr. Richmond continued with providing an overview of the unaudited Statement of Operations and Volume Metrics for the December financials stating the adjusted operating income for the month was \$4.5 million, which was (\$1.5) million unfavorable to target. Fourth quarter adjusted operating income was \$12.5 million and (\$2.3) million unfavorable to target. Year-to-date adjusted operating income was \$22.7 million and \$5.0 million favorable to target. As discussed at the December Finance Committee, adjusted operating income excludes non-recurring charges for one-time investment and transitional costs relating to the integration of the Healthspan locations, and GASB 68.

Net patient revenue was \$74.4 million and (\$4.5) million unfavorable to target for the month of December. Outpatient visits and surgical cases were below target by (3.8%) and (8.1%). Discharges, case mix index and emergency room visits were above target by 6.1%, 1.9% and 0.2%. Year-to-date net patient revenue was \$895.4 million and (\$11.0) million unfavorable to target.

Mr. Richmond stated other operating revenue was \$15.7 million and \$4.2 million favorable to target for the month primarily due to higher Medicare shared savings incentive revenue and retail contracted pharmacy revenue. Year-to-date other operating revenue was \$146.3 million and \$9.2 million favorable to target.

Mr. Richmond mentioned the total operating revenue for the month of December was \$90.1 million and (\$0.3) million unfavorable to target. Year-to-date total operating revenue was \$1,041.8 million and (\$1.8) million unfavorable to target.

Lastly, total adjusted operating expenses were \$85.6 and (\$1.1) million unfavorable to target for the month. Year-to-date adjusted operating expenses were \$1,109.0 million and \$6.7 million favorable to target.

Geoff Himes, Vice President of Finance discussed the GASB Statement No. 68 - Accounting and Financial Reporting for Pensions and the impact to MetroHealth for 2016. This accounting change resulted in governmental employers recognizing the unfunded portion of the pension liability in their financial statements. MetroHealth will recognize the liability based upon our proportionate share of the total OPERS net pension liability. Mr. Himes reiterated that the liabilities recognized under GASB 68 meet the GASB's definition of a "liability" in its conceptual framework for accounting standards, they do not represent legal claims on the System's resources, and there are no cash flows associated with the recognition of net pension liabilities, deferrals and expense.

Mr. Richmond and Jeff Kerkay, Treasurer reviewed the December Statement of Net Position highlighting the changes from 2015 year-end within several categories. Restricted / Unrestricted Cash and Investment balances were discussed and it was noted that the balance as of 12/31/16 had decreased from 2015 year-end mainly due to increased capital spending related to the Critical Care Pavilion project.

Mr. Kerkay also discussed the Advisory Board Credit Rating Strength Diagnostic Tool which measures the system's financial metrics against benchmarks derived from hospital medians of the major credit rating agencies. Lastly, Mr. Kerkay discussed the analysis that was provided in the report through the fourth quarter regarding MetroHealth's position in terms of bank covenants and rating agency median ratios. Mr. Kerkay mentioned that the System's bank covenants are well in compliance.

III. NON-CONSENT/ACTION ITEMS

A. There are no items to report at this time.

IV. CONSENT ITEMS

A. A Recommendation for the Purchase of Certain Capital Equipment and Related Improvements

The Committee unanimously approved the recommendation for full Board action.

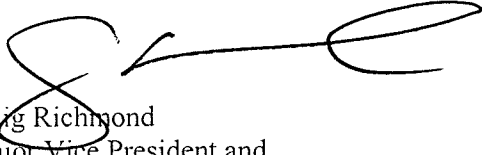
B. A Recommendation for the Approval of Acceptance of Donation of Real Estate and Naming MetroHealth Zubizarretta House

The Committee unanimously approved the recommendation for full Board action.

At this point in the meeting a motion was made, seconded and passed to move the Committee into Executive Session to discuss trade secrets and litigation matters. The Committee returned to regular session at 1:55 p.m.

There being no further business to bring before the Committee, the meeting was adjourned at 1:56 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Craig Richmond', with a long horizontal flourish extending to the right.

Craig Richmond
Senior Vice President and
Chief Financial Officer