

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

**DATE:** Tuesday, April 25, 2017

**TIME:** 12:00 - 2:00 p.m.

**PLACE:** MetroHealth Medical Center  
K107, Business Services Building

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

**ADDITIONAL TRUSTEES:** Ms. Dee and Mr. Spain

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

**GUESTS:**

Dr. Silvers called the regular meeting of the Finance Committee to order at 12:08 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 March 21, 2017 were approved as presented.

**II. INFORMATION ITEMS**

Craig Richmond, Senior Vice President and Chief Financial Officer began the meeting by providing an overview of the first quarter 2017 Financial Reporting Summary. Mr. Richmond introduced the Management Discussion and Analysis which highlights the Statement of Operations and Volume Metrics stating that the Adjusted Earnings before Interest, Depreciation and Amortization (EBIDA) for the first three months ended March 31, 2017 was \$16.5 million, an increase of \$12.6 million over the prior year which had an adjusted EBIDA of \$3.8 million. This increase is mainly attributed to an increase in operating revenues while general expenses remained fairly consistent.

Mr. Richmond stated the MetroHealth System ended the first quarter with an Adjusted Operating Income of \$3.4 million, compared with a loss of \$8.5 million in the same period of last year which is an \$11.9 million improvement in financial performance for the first quarter.

Total operating revenue was \$270.8 million in the three-month period that ended March 31, 2017 as compared to \$236.6 million for the same period last year which is an increase of 14.4% was largely attributed to an increase in net patient service revenue of \$31.1 million or 15.2% year-over-year change. Outpatient visits, payor mix, inpatient acuity, and enhanced commercial reimbursement also contributed to the improved operating performance. In addition, the number of unique patients served by the health system during the prior rolling twelve months increased 18.4%.

Mr. Richmond also mentioned that compared to the first quarter of 2016, the first quarter 2017 outpatient business contributed approximately \$17.0 million in additional revenues. Outpatient visits grew by 16.3%, emergency department by 26.0% and outpatient surgeries by 14.5%. Payor mix had significant improvement due to the integration and retention of former HealthSpan patients into MetroHealth which contributed approximately \$7.0 million additional revenue for the first quarter of

2017. In addition, inpatient case mix index (acuity) for the first quarter 2017 contributed an additional \$5.0 million of patient service revenue. The system also renegotiated several payor contracts during the first quarter which contributed an additional \$2.0 million of net patient service revenue. Other revenues grew by \$3.1 million, primarily due to retail and contract pharmacy program expansion.

The system recorded adjusted expenses of \$267.4 million in the first quarter 2017 compared to \$245.1 million from the same period of 2016, an increase of \$22.3 million or 9.1% which compares favorably to total operating revenue increase of \$34.1 million. Adjusted expense increase is due to an increase in salary and wages for staff to accommodate former HealthSpan patients, pharmaceutical costs for expanded retail and contract pharmacy program, plant operations and energy and cost containment programs.

During a discussion of Net Position as of March 2017, Mr. Richmond stated that total assets were \$927.2 million, a decrease of \$18.9 million from the prior year-end. Change in assets were driven by net patient accounts receivable which increased \$10.3 million from prior year-end balance mainly driven by invoices held for contract negotiations, investments totaled \$322.1 million which represents a decrease of \$23.7 million and restricted assets under bond indenture agreement decreased \$8.5 million from prior year end balances. In addition, total liabilities were \$996.8 million, a decrease of \$24.6 million from prior year-end balance. Current liabilities were \$153.7 million which is a decrease of \$19.5 million from prior year-end balances and long-term liabilities were \$843.2 million which represents a decrease of \$5.1 million from prior year-end balances.

Mr. Richmond reviewed Restricted / Unrestricted Cash and Investment balances and it was noted that the balance as of the first quarter 2017 had decreased compared to last year which is related to working capital. Regarding MetroHealth's position in terms of bank covenants and rating agency median ratios it was mentioned the System's bank covenants are in compliance.

Mr. Richmond discussed the new Monthly Operating Performance Statistics and Ratios reporting package which was introduced last month which is to provide a set of metrics used to measure MetroHealth's key business processes and reflect strategic performance. These metrics focus on the efficiency of the organization's operations.

Bernard Boulanger, MD, Executive Vice President and Chief Clinical Officer provided an overview of the Utilization Metrics results for the first three months ended March 31, 2017. Dr. Boulanger discussed Inpatient Discharges and Average Length of Stay compared to last year first quarter which were relatively flat. Equivalent Admissions a newly added measurement provides a good representative of total growth for the healthcare facility particularly those who capitalize on outpatient visits, this counts for all patient encounters both outpatient and inpatient revenue combined, which had a significant increase of 14%. Outpatient Visits also had significant growth, a 16% increase in the first quarter. Medicare and Total Facility Case Mix Indexes (CMI) were higher and Inpatient and Outpatient Surgeries had a record 12% increase over the total number of surgeries in the first quarter last year. Dr. Boulanger shared that MetroHealth has had record surgical case volumes for the months of January, February and March 2017 and that April could be another record month in case volumes. Emergency Room Department visits had a significant increase from last year and Total Observation Cases were also up by 24.5%. Overall, we've had a very strong first quarter for 2017.

Daniel Lewis, Executive Vice President and Chief Operating Officer provided an overview of the Access Metrics for the first three months ended March 31, 2017. Mr. Lewis discussed the key to access is the ability to serve the business, and the importance of getting patients in to the right

provider and the importance of high quality delivery. The percent of Open Encounters and the importance of physicians to close out charts continues to show great improvement. Appointment Lag for new patients and their ability to get into the system within 21 days continue to be monitored. No Shows for appointments with or without cancellations, Slot Utilization and Cancellations also continue to be monitored in order to improve and to accommodate patients for appointments and to create a good patient experience.

Mr. Richmond provided an update on the Rating Agency meetings relating to the 2017 Series Bonds, stating that all three rating agencies, Fitch, Moody's and Standard and Poor's have finalized their review. Throughout the process, MetroHealth revised its plan of finance and reduced our new money borrowing in an effort to further refine the business and balance sheet risk. The outcome is that MetroHealth received an investment grade rating and stable outlook from all three rating agencies.

### **III. NON-CONSENT/ACTION ITEMS**

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

### **IV. CONSENT ITEMS**


A. A Recommendation to Approve Changes to the Hospital and Professional Charge Description Master (CDM) File

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 1:54 p.m.

There being no further business to bring before the Committee, the meeting was adjourned at 1:57 p.m.

Respectfully submitted,



Craig Richmond  
Senior Vice President and  
Chief Financial Officer