

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

**DATE:** Tuesday, October 24, 2017

**TIME:** 12:00 – 2:00 p.m.

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

**COMMITTEE TRUSTEES:** Mr. Monnolly and Dr. Silvers

**ADDITIONAL TRUSTEES:** Ms. Dee, Mr. Moss, Mr. Spain and Ms. Whiting

**STAFF:** B. Boulanger, A. Boutros, M.D. (via phone), N. Chehade, M.D., G. Himes, J. Kerkay, D. Lewis, J. Platten, S. Rajki, C. Richmond, M. Stern

**GUESTS:**

Dr. Silvers called the regular meeting of the Finance Committee to order at 12:05 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 September 26, 2017 were approved as presented.

**II. INFORMATION ITEMS**

Craig Richmond, Senior Vice President and Chief Financial Officer provided an overview of the third quarter 2017 and year-to-date Operational and Financial Results which highlights the Statement of Operations and Volume Metrics. Mr. Richmond reported that the Adjusted Earnings before Interest, Depreciation and Amortization (“EBIDA”) for the three months ended September 30, 2017 was \$22.8 million, an increase of \$0.6 million over the prior year three months which had an adjusted EBIDA of \$22.2 million. The adjusted EBIDA for nine months ended September 30, 2017 was \$65.5 million, an increase of \$16.4 million over the prior year nine months which had an adjusted EBIDA of \$49.1 million.

Mr. Richmond further reported that MetroHealth ended the third quarter with an Adjusted Operating Income of \$9.3 million, compared to \$9.0 million in the third quarter of last year, a \$0.3 million improvement in financial performance for the third quarter. He noted the year-to-date Adjusted Operating Income was \$24.7 million, compared to adjusted operating income of \$10.2 million in the previous year, a \$14.5 million year-over-year increase.

The System recorded total operating revenue of \$282.8 million in the three month period ended September 30, 2017 as compared to \$264.7 million from the same period of 2016 which was an increase of 6.9%. The financial improvement was attributable to both an increase in net patient service revenue of \$9.3 million or 4.0%, and an increase in other operating revenue of \$8.9 million or 25.6% mainly driven by retail and contract pharmacy program expansion and value-based programs. Year-to-date total operating revenue in 2017 was \$836.8 million as compared to prior year-to-date total operating revenue of \$766.7 million which represents an increase of 9.1%.

The System recorded adjusted expenses (adjusted for non-recurring items) of \$273.5 million for the three months ended September 2017 compared to \$255.7 million from the same period of 2016, an increase of \$17.8 million, comparing favorably to the total operating revenue increase of \$18.2 million. Expense growth has been primarily in salary, wages and benefits for staff to accommodate former HealthSpan patients and pharmacy costs associated with the retail pharmacy expansion. Year-to-date adjusted expenses in 2017 was \$812.2 million as compared to prior year-to-date of \$756.5 million which represents an increase of 7.4%.

Mr. Richmond reviewed the Statement of Net Position as of September 2017, it was stated that both total assets and total liabilities increased significantly as result of the recent bond issuance in May. Areas of note were that the net patient accounts receivable increased by \$9.7 million from prior year-end balances as a result of timing of payor payments, and current liabilities decreased by \$9.9 million from prior year-end balances mostly attributed a decrease in current installments of long-term debt due as a result of the May bond refunding, and timing of payments for accounts payable, payroll and interest payable.

Mr. Richmond reviewed Restricted / Unrestricted Cash and Investment balances, noting that the balance as of the third quarter 2017 was approximately \$37 million higher when compared to last year. In terms of bond covenants and rating agency median ratios, the System's bond covenants are within compliance.

Mr. Richmond reviewed 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.

### **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 Purchase of Certain Annual Purchasing Policies and Procedures

The Committee unanimously approved the recommendation for full Board action.

- C. A Recommendation for the Approval of Participation in the Unify Project

The Committee unanimously approved the recommendation for full Board action.

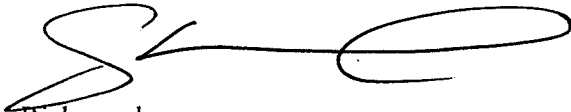
At this point in the meeting a motion was made, seconded and passed to move the Committee into Executive Session to discuss trade secrets and litigation matters. The Committee returned to regular session at 1:25 p.m.

- D. A Recommendation for a Proposed Budget for the 2018 Fiscal Year and to Authorize the Submission of the same to the Government of Cuyahoga County, Ohio ("County").

The Committee unanimously approved the recommendation for full Board action.

There being no further business to bring before the Committee, the meeting was adjourned at 1:26 p.m.

Respectfully submitted,

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

Craig Richmond  
Senior Vice President and  
Chief Financial Officer