

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

DATE: Wednesday, July 18, 2018

TIME: 8:00 to 10:00 am

PLACE: MetroHealth Medical Center
K107, Business Services Building

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

ADDITIONAL TRUSTEES: Ms. Dee & Ms. Whiting

STAFF: B. Boulanger, M.D., A. Boutros, M.D., N. Chehade, M.D., G. Himes,
J. Kerkay, J. Platten, S. Rajka, C. Richmond, B. Schwartz, M. Stern

GUESTS:

Dr. Silvers called the regular meeting of the Finance Committee to order at 8:01 am. 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 April 18, 2018 were approved as presented.

II. INFORMATION ITEMS

Craig Richmond, Executive Vice President and Chief Financial Officer provided an overview of the Second Quarter 2018 Unaudited Financial and Operations Results for the period ended June 30, 2018. Mr. Richmond reported that Adjusted Earnings before Interest, Depreciation and Amortization (“EBIDA”) for the six months ended June 30, 2018 was \$48.4 million, an increase of \$5.7 million or 13.3 percent over the same period in 2017 which had an EBIDA of \$42.7 million. Similar to the prior quarter, EBIDA increase was mainly attributed to growth from emergency department volumes, patient acuity, surgical volumes, expanded pharmacy operations, and lower liability insurance costs.

Mr. Richmond further reported that total operating income for the six months ended June 30, 2018 was \$19.0 million, compared with operating income of \$15.4 million in the same period of 2017, an increase of \$3.6 million or 24.0 percent.

Total operating revenue for the six months ended June 30, 2018 was \$583.5 million as compared to \$554.0 million in the same period of 2017, an increase of 5.3 percent. The revenue growth was attributable to both an increase in net patient service revenue of \$19.5 million or 4.1 percent and an increase in other operating revenue of \$10.0 million or 13.1 percent, mainly driven by growth in retail and contract pharmacy operations.

The System showed continued growth in the acuity of its inpatient business with the overall case mix index reported at 1.64 for the six months ended June 30, 2018 as compared to 1.57 for the same period in 2017. Key drivers of the increased net patient revenue include modest improvement in payor mix, higher overall acuity of cases, and emergency department and surgical volumes.

Mr. Richmond noted the System recorded total operating expenses of \$535.1 million for the six months ended June 30, 2018 as compared to \$511.3 million for the same period in 2017, which is an increase of \$23.8 million or 4.7 percent, comparing favorably to the total operating revenue increase of \$29.5 million. Most of the increase was in salary, wages and benefits for additional staff to accommodate volume growth, purchased services and pharmacy costs associated with the retail pharmacy expansion.

Mr. Richmond provided a review of the Statement of Net Position as of June 30, 2018 as compared to December 31, 2017. Areas of note were (i) \$12.8 million increase in other receivables due to the timing of the Hospital Care Assurance Program (HCAP) payments and the Care Innovation and Community Improvement Program (CICIP); (ii) net capital assets increased \$18.6 million due to costs associated with the View Road parking garage and transformation planning/design services, and (iii) restricted assets under bond indenture agreement decreased \$23.8 million from prior year-end balances due to interest payments and Bond Fund draws during the period. Total liabilities decreased by \$14.5 million which was mainly due to the timing of payments for accounts payable, payroll and professional liability claims.

Michael Stern, Executive Vice President and Chief Operating Officer provided an overview of the Monthly Operating Performance Volumes for the three and six months ended June 30, 2018 comparing to the same period in 2017. Inpatient discharges were slightly up compared to target and down to prior year. Overall length of stay has increased and the case mix index (CMI) is up from the prior year due to patient acuity. Mr. Stern commented that opportunities to reduce the length of stay will continue to be an area of focus. Life Flight transports have been on target for the period but down compared to last year. Other volumes of note were that outpatient visits were slightly down, surgical volumes continued to show growth due to outpatient cases over prior year, as well as emergency department visits, and FTEs were on target.

Mr. Richmond reviewed Unrestricted Cash and Investment balances, noting that the second quarter of 2018 was slightly down compared to December 31, 2017 due to the timing of HCAP and UPL Supplemental payments and advance payment of the Inter-Governmental Transfer (IGT) for the CICIP. Regarding MetroHealth's bond covenants and rating agency median ratios' the System's bond covenants (days cash on hand and minimum debt service coverage ratio) are within compliance. Lastly, 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 was referenced, as well as the Capital Budget Summary.

Jeff Kerkay, Treasurer provided an update and overview of the MetroHealth Investment Policy and Implementation Strategy. Discussion outlined Hartland, MetroHealth's Investment Advisors for the investment of the System's Qualifying Funds in accordance with the Ohio Revised Code and their approach and portfolio structure.

Geoff Himes, Vice President of Finance provided a review and update of GASB Statement No. 75 – Accounting and Financial Reporting for Other Postemployment Benefits (OPEB). GASB 75 which is similar to GASB 68, will be recorded annually using results from the OPERS actuary reports. The System is required to implement the provisions of the Statement for fiscal year end December 31, 2018. Mr. Himes also briefly discussed GASB Statement No. 87 – Leases, and GASB Statement No. 89 – Accounting for Interest Costs Incurred Before the End of a Construction Period. These two statements will be effective for fiscal year ended December 31, 2020.

III. NON-CONSENT/ACTION ITEMS

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

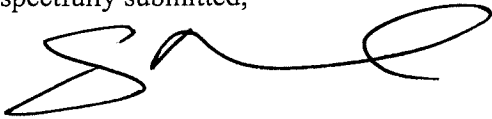
IV. CONSENT ITEMS

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

The Committee unanimously approved the recommendation for full Board action.

There being no further business to bring before the Committee, the meeting was adjourned at 9:38 a.m.

Respectfully submitted,

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

Craig Richmond
Executive Vice President and
Chief Financial Officer