

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

DATE: Wednesday, October 16, 2019

TIME: 8:00 to 10:00 am

PLACE: MetroHealth Medical Center
K107, Business Services Building

COMMITTEE TRUSTEES: Mr. Moss & Dr. Silvers

ADDITIONAL TRUSTEES: Ms. Dee, Mr. Hairston Jr., Mr. McDonald & Mr. Moreno

STAFF: B. Boulanger, M.D., A. Boutros, M.D., N. Chehade, MD., G. Himes, S. McCarthy, M. Phillips, J. Platten, M. Stern

GUESTS:

John Moss called the regular meeting of the Finance Committee to order at 8:00 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 July 17, 2019 were approved as presented.

II. INFORMATION ITEMS

Akram Boutros, MD, President and CEO began the meeting by introducing Sue McCarthy, Vice President Financial Planning and Analysis. Geoff Himes, Vice President of Finance provided an overview of the Third Quarter 2019 Unaudited Financial and Operational Results for the nine months ended September 30, 2019. Mr. Himes reported that Adjusted Earnings before Interest, Depreciation and Amortization (“EBIDA”) for the nine months ended September 30, 2019 was \$89.3 million, an increase of \$14.4 million or 19.3 percent over the same period in 2018 which had an EBIDA of \$74.9 million. The increase in EBIDA was mainly attributed to both an increase in net patient service revenue and an increase in other revenue that was partially offset by growth in salaries and wages, associated benefit costs and pharmaceutical expense.

Mr. Himes further reported that total operating income for the nine months ended September 30, 2019, was \$45.3 million, compared with operating income of \$30.7 million in the same period of 2018, an increase of \$14.6 million or 47.3 percent.

Total operating revenue for the nine months ended September 30, 2019 was \$958.7 million as compared to \$901.0 million in the same period of 2018, an increase of 6.4 percent. The net patient service revenue component increased \$34.3 million or 4.5 percent primarily due to growth in acute inpatient discharges of 1.2 percent and outpatient visits of 3.1 percent and revenue from the Care Innovation and Community Improvement Program (“CICIP”). The other operating revenue component increased by \$23.4 million or 17.2 percent mainly driven by growth in retail pharmacy operations, an increase in value-based revenue and additional contract income from new and expanded clinical care partnerships including Fisher-Titus and the Cuyahoga County Correctional

Facilities. During the third quarter of 2019, the System experienced a modest improvement in payor mix as compared to the same period in 2018.

Mr. Himes noted the System recorded total operating expenses of \$869.4 million in the nine months ended September 30, 2019 as compared to \$826.2 million for the same period in 2018, which is an increase of \$43.2 million or 5.2 percent. The increase in operating expenses is primarily driven by salary and wages, purchased services and pharmacy costs associated with the retail pharmacy business.

Mr. Himes provided a review of the Statement of Net Position as of September 30, 2019 as compared to December 31, 2018. Areas of note were (i) \$56.4 million increase in investments from prior year-end balances due to strong investment performance and operating cash flows; (ii) net capital assets increased \$55.0 million from prior year-end balances due to transformation planning, design and construction; and (iii) restricted assets under bond indenture agreement decreased \$70.1 million from prior year-end balances due to interest payments, and Bond Fund draws during the period; and (iv) total liabilities decreased \$11.3 million from prior year-end balances primarily resulting from a decrease in estimated amounts due to third-party payors.

Mr. Himes reviewed Unrestricted Cash and Investment balances, noting that the third quarter of 2019 increased \$59.0 million from prior year-end due to the receipt and timing of supplemental payment receipts. Regarding MetroHealth's bond covenants, days cash on hand and minimum debt service coverage, are within compliance. The Advisory Board Credit Rating Strength Diagnostic Tool which benchmarks the System's operating performance and capital structure metrics against the hospital medians of the major credit rating agencies as well as the Capital Budget Summary were also discussed.

Due to the 2020 Operating Budget review, the 2019 Operating Performance Volumes were tabled until the next quarter.

Mr. Himes updated the Committee on GASB 68 Pension and GASB 75 OPEB, stating that the OPERS documents were available and the Finance team is currently calculating the 2019 impact. Mr. Himes also mentioned that other important future GASB changes would be discussed during the 2020 Operating Budget presentation.

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 Annual Purchasing Policies and Procedures

The Committee unanimously approved the recommendation for full Board action.

- B.** A Recommendation to Establish the P. Hunter Peckham, PH.D. and George J. Picha, M.D., PH.D. Professorship in Biomedical Engineering

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 9:55 am.

- C.** A Recommendation for a Proposed Budget for the 2020 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.

- D.** A Recommendation for the Approval of Lease of Real Estate in Cuyahoga 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 9:58 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'Craig Richmond', with a stylized, cursive script.

Craig Richmond
Executive Vice President and
Chief Financial Officer