

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

DATE: Wednesday, January 15, 2020

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 & Ms. Whiting

STAFF: B. Boulanger, M.D., A. Boutros, M.D., N. Chehade, MD., G. Himes, M. Phillips,
C. Richmond, M. Stern, J. Woolnough

GUESTS:

John Moss called the regular meeting of the Finance Committee to order at 8:03 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 October 16, 2019 were approved as presented.

II. INFORMATION ITEMS

Craig Richmond, Executive Vice President and Chief Financial Officer began by providing an overview of the 2019 Unaudited Financial and Operational Results for the period ended December 31, 2019. Mr. Richmond reported that Adjusted Earnings before Interest, Depreciation and Amortization (“EBIDA”) for the twelve months ended December 31, 2019 was \$125.8 million, an increase of \$19.8 million or 18.6 percent over the same period in 2018, which had an EBIDA of \$106.0 million. The increase in EBIDA was mainly attributed to growth in retail and contract pharmacy operations, value-based revenues, lower liability insurance costs, supplemental payments from the Care Innovation and Community Improvement Program (“CICIP”), and a decrease in estimated amounts due to third-party payors.

Mr. Richmond further reported that total operating income for the twelve months ended December 31, 2019, was \$67.0 million, compared with operating income of \$47.7 million in the same period of 2018, an increase of \$19.3 million or 40.5 percent.

Total operating revenue for the twelve months ended December 31, 2019 was \$1,294.6 million as compared to \$1,213.1 million in the same period of 2018, an increase of 6.7 percent. The net patient service revenue component increased \$35.0 million or 3.4 percent primarily due to modest improvement in payor mix, a decrease in settlement amounts due to third-party payors, and the CICIP program. The other operating revenue component increased by \$46.5 million or 25.3 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, Mercy Health Lorain and the County Correctional Healthcare.

Mr. Richmond noted the System recorded total operating expenses of \$1,168.8 million in the twelve months ended December 31, 2019 as compared to \$1,107.1 million for the same period in 2018, which is an increase of \$61.7 million or 5.6 percent. The increase in operating expenses is primarily driven by salary and wages, purchased services, medical supplies and pharmacy costs associated with the retail pharmacy business.

Mr. Richmond provided a review of the Statement of Net Position as of December 31, 2019 as compared to December 31, 2018. Areas of note were (i) \$67.3 million increase in unrestricted cash and investments from prior year-end balances due to strong investment performance, receipts from the CICIP program, and the timing of payments; (ii) net capital assets increased \$90.2 million from prior year-end balances due to transformation planning, design and construction; and (iii) restricted assets under bond indenture agreement decreased \$95.8 million from prior year-end balances due to interest payments, and Bond Fund draws during the period; and (iv) total liabilities increased significantly from prior year-end balances which was mainly due to the addition of the Net Pension and OPEB liabilities in 2019, recorded in accordance with GASB Statement No. 68 and GASB Statement No. 75.

Mr. Richmond reviewed MetroHealth's bond covenants, sharing that both days cash and debt service coverage are within compliance. Lastly, the Advisory Board Credit Rating Strength Diagnostic Tool was discussed which benchmarks the System's operating performance and capital structure metrics against the hospital medians of the major credit rating agencies.

Geoff Himes, Vice President of Finance updated the Committee on GASB 68 Pension and GASB 75 OPEB, stating that the GASB 68 adjustment is recorded on an annual basis using the results from the OPERS actuary reports. Mr. Himes explained the OPERS Pension Funding Status stating the plan is currently seventy-eight percent funded verses eighty-one percent in the prior year. Mr. Himes also discussed GASB 75 – Accounting and Financial Reports for Other Postemployment Benefits (OPEB) and provided an update on the Net Pension and OPEB Liability. Similar to prior year's discussions, Mr. Himes mentioned that although the pension liabilities recognized in accordance with GASB Statement No. 68 meet the 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. Himes mentioned that other important future GASB changes had been discussed during the 2020 Operating Budget presentation.

Mr. Himes provided a review of the 2019 Capital Spend Summary. Mr. Himes explained to the committee the different capital categories utilized for managing capital spend and discussed the \$40.0 million "core" Capital Budget for 2019. Highlighted capital categories included: Facilities/Construction, Information Services, Clinical Equipment, Support Services, Transformation and Strategic. Mr. Himes highlighted that the capital spend continues to be focused on new services, access and strategy initiatives, while routine and replacement capital is analyzed/approved through the lens of Campus Transformation.

Jaclyn Woolnough, Director Revenue Integrity provided an update on the recent revisions to the Charge Description Master (CDM). Ms. Woolnough provided an overview of pricing, the types of charges, methods of reimbursement, and government regulations. Ms. Woolnough shared that the Department of Revenue Integrity provides department level reviews with management of all processes and charges to ensure all billable charges are represented in the CDM. As part of the process, CDM reviews and updates are regularly performed to ensure compliance with all payors. Lastly, Ms. Woolnough highlighted MetroHealth's efforts and approach to pricing transparency.

III. NON-CONSENT/ACTION ITEMS

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

IV. CONSENT ITEMS

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

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 9:58 am.

There being no further business to bring before the Committee, the meeting was adjourned at 10:00 a.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
Executive Vice President and
Chief Financial Officer