

The MetroHealth System Board of Trustees

FINANCE COMMITTEE

August 11, 2021

Meeting Minutes

Committee Members Present: Mr. Moss, Dr. Silvers

Other Trustees Present: Ms. Dee, Ms. Whiting

Staff Present: Dr. Boutros, Mr. Bernard, Dr. Chehade, Mr. Himes
Ms. Rajki, Mr. Richmond, Ms. Woolnough

Mr. Moss called the meeting to order at 8:30 a.m.

(The minutes are written in a format conforming to the printed meeting agenda for the convenience of correlation, recognizing that some of the items were discussed out of sequence.)

1. **Approval of Minutes**

The minutes of the April 21, 2021 Committee meeting were approved as submitted.

2. **Information Items**

Second Quarter 2021 Financial Results - Craig Richmond

Mr. Richmond began by providing an overview of the Second Quarter 2021 Unaudited Financial and Operational Results for the period ended June 30, 2021. Mr. Richmond reported that Adjusted Earnings before Interest, Depreciation and Amortization (EBIDA) for the six months ended June 30, 2021 was \$96.8 million, an increase of \$75.1 million or 346.1 percent over the same period in 2020, which had an EBIDA of \$21.7 million.

Mr. Richmond stated the increase in EBIDA was a result of increased patient volumes from the prior year, which decreased significantly due to COVID-19, new



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Hospital Franchise Fee funding via directed payments and growth in both retail and contract pharmacy.

Mr. Richmond further reported that total operating income before construction interest (excludes GASB 89 impact) for the six months ended June 30, 2021 was \$66.0 million, a \$74.0 million increase over the same period in 2020. Mr. Richmond stated operating income was \$45.1 million for the six months ended June 30, 2021, compared with operating loss of \$8.0 million in the same period of 2020, an increase of \$53.1 million. This overall increase in operating income is mainly due to the increase in patient volumes, which were lower in 2020 as a result of COVID-19, and a new Hospital Franchise Fee funded program reforms that includes Cost Coverage Add-on (CCA) payments and new directed payments associated with Senate Bill 310, a COVID-related emergency spending measure.

Mr. Richmond stated net investment income for the six months ended June 30, 2021 was \$23.0 million, compared with net investment income of \$1.2 million in the same period of 2020, an increase of \$21.8 million driven by strong investment performance.

Total operating revenue for the six months ended June 30, 2021 was \$746.9 million compared to \$616.7 million in the same period of 2020, an increase of \$130.2 million or 21.1 percent. The increase in operating revenue was attributable to: Inpatient and outpatient revenue increase of \$68.1 million due to the recovery of patient volumes impacted by the COVID-19 pandemic in the same period in 2020; Hospital Franchise Fee funding increase of \$34.8 million due to CCA payments and new directed payments; and Continuous Improvement and Care Innovation (CICIP) increase of \$5.1 million resulting from changes in the funding distribution model.

The other operating revenue increased \$20.1 million or 13.6 percent, mainly due to the continued growth in retail and contract pharmacy operations, value-based program incentives and the System's participation in the new Centers for Medicare and Medicaid Services (CMS) Direct Contracting Entity (DCE) program which is a value-based care model.

Mr. Richmond noted the System recorded total operating expenses before interest, depreciation and amortization of \$650.1 million for the six months ended June 30, 2021 as compared to \$595.0 million for the same period in 2020, an increase of \$55.1 million or 9.2 percent. The increase in operating expenses was primarily driven



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by salaries, wages and benefits due to wage increase including the associated benefits and employee health plan costs, and lower vacation usage; purchased services related to transformation projects, pathology core lab testing, virtual care administration, and diversity and inclusion strategic initiatives; medical supplies increase due to the overall increase in patient volumes, pharmaceutical costs related to the continued growth in retail and contract pharmacy operations; and other expenses increase is driven by an increase in the Hospital Franchise Fee assessment.

Mr. Richmond provided a review of the Statement of Net Position as of June 30, 2021. Areas of note were (i) unrestricted cash and cash equivalents decreased \$100.2 million from prior-year-end balances primarily due to a transfer to investments, and the timing of payroll payments; (ii) other receivables increased \$42.4 million mainly due to increases in supplemental program funding for the Hospital Franchise fee and Care Assurance programs, additional contract revenue and expanded retail pharmacy operations; (iii) investments increased \$127.2 million from prior year end balances due to strong investment performance and money market transfers into investments; (iv) restricted assets under bond indenture agreements decreased \$106.1 million from prior year-end balances due to bond fund draws and interest payments during the period and (v) net capital assets increased \$111.8 million from prior year-end balances due to the ongoing campus transformation, with additional progress on construction of the new hospital.

Mr. Richmond reviewed MetroHealth's bond covenants, sharing that both days cash on hand and debt service coverage are within compliance as of June 30, 2021. 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.

Semi-Annual Schedule of Charges Update – Jaclyn Woolnough

Ms. Woolnough began by reviewing the Charge Description Master (CDM) overview and pricing methodology. The CDM is a list of billable services and items and their associated charges for which the System is reimbursed at a pre-determined, negotiated rate. From January to June 2021, 71 items, 18 professional services and 53 technical/facility services, were added or changed in the CDM. Ms. Woolnough noted many of the changes are related to COVID-19 testing, treatment and vaccinations.



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Ms. Woolnough further reported that the System continues to assist patients with navigating the financial complexities of healthcare and their obligations. The committee engaged in discussion regarding the System's Patient Financial Bill of Rights, noting the System is one of a few to provide such commitments to patients. Ms. Woolnough stated that in 2015, the System launched a Patient Cost Estimator with the goal of empowering patients to understand their financial obligations. The Patient Cost Estimator allows patients and consumers to quickly and easily review out-of-pocket expenses for over 300 common medical procedures and is available in both English and Spanish.

3. Recommendation/Resolutions Approvals

- A. Recommendation to the Board of Trustees of the MetroHealth System for the Approval of the Phase I Engagement on an Advisor for Human Resources Assessment, Performance and Rewards Program

Discussed in Executive Session. There were no further questions.

Mr. Moss indicated that all further matters to be considered at this meeting involved discussions of trade secrets and matters required to be kept confidential by law. Upon unanimous roll call vote, the Committee went into Executive Session to discuss such matters at 9:42 a.m.

Following Executive Session, the meeting reconvened in open session at 9:55 a.m.

The Committee unanimously approved the Recommendation to the Board of Trustees of the MetroHealth System for the Approval of the Phase I Engagement on an Advisor for Human Resources Assessment, Performance and Rewards Program for full Board action.

There being no further business to bring before the Committee, the meeting was adjourned at approximately 9:56 a.m.

Craig Richmond
Executive Vice President, Chief Financial and
System Services Officer

