

The MetroHealth System Board of Trustees

FINANCE COMMITTEE

August 10, 2022

Meeting held at MetroHealth & via Zoom

Meeting Minutes

Committee Members Present: Mr. Moss, Dr. Silvers

Other Trustees Present: Ms. Dee, Ms. Chappell, Dr. Walker, Ms. Whiting

Staff Present: Dr. Bailit, Mr. Bernard, Dr. Boulanger, Dr. Boutros, Dr. Chehade, Ms. Graham, Dr. Lewis, Dr. Li, Ms. Morales, Ms. Platten, Ms. Rajki, Mr. Richmond, Mr. Sukalac

Mr. Moss called the meeting to order at 8:29 am.

(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.)

I. **Approval of Minutes**

The minutes of the May 11, 2022, Committee meeting were approved as submitted.

II. **Information Items**

Second Quarter 2022 Financial Results – Craig Richmond

Mr. Richmond began by providing an overview of the second quarter 2022 Unaudited Financial and Operational Results compared to the second quarter 2021 Financial Results, highlighting significant items which represented a change or variance from the prior year.



The MetroHealth System Board of Trustees

Mr. Richmond proceeded by providing an overview of the Financial and Operational Results for the six months ended June 30, 2022. Mr. Richmond reported that Adjusted Earnings before Interest, Depreciation and Amortization (EBIDA) for the six months ended June 30, 2022, was \$77.6 million, a decrease of \$19.2 million or 19.8 percent over the same period in 2021, which had an EBIDA of \$96.8 million.

Mr. Richmond further reported that total operating income before construction interest for the six months ended June 30, 2022, was \$43.3 million, a \$22.6 million decrease over the same period in 2021. Mr. Richmond stated operating income was \$22.2 million for the six months ended June 30, 2022, compared with operating income of \$45.1 million in the same period of 2021, a decrease of \$22.9 million.

Mr. Richmond stated net investment loss for the six months ended June 30, 2022, was \$49.6 million, compared with net investment income of \$22.9 million in the same period of 2021, a decrease of \$72.6 million due largely to the financial markets decline stemming from rising inflation and interest rates, as well as international conflicts.

Total operating revenue for the six months ended June 30, 2022, was \$785.5 million compared to \$746.9 million in the same period of 2021, an increase of \$38.6 million or 5.2 percent. The increase in operating revenue was primarily attributable to: Net patient service revenue decreased \$21.2 million or 3.6 percent due to the timing of the direct payments associated with the Hospital Franchise Fee program and the System's participation in the new Centers for Medicare and Medicaid Services (CMS) Direct Contracting Entity (DCE) Program. Other operating revenue increased \$59.7 million or 35.5 percent mainly due to the System's participation in the new CMS DCE program and the associated capitated payments, the continued growth in retail pharmacy operations, and shared savings related to total cost of care programs.

Mr. Richmond noted the System recorded total operating expenses before interest, depreciation, and amortization of \$707.8 million for the six months ended June 30, 2022, as compared to \$650.1 million for the same period in 2021, an increase of \$57.7 million or 8.9 percent. The increase in operating expenses was primarily driven by salaries, wages and benefits due to increased overtime as well as wage increases and the associated benefits; pharmaceutical costs related to the continued growth in retail pharmacy operations; other expenses primarily due to the Hospital Franchise Fee assessment related to the Hospital Upper Payment Limit



The MetroHealth System Board of Trustees

program reforms and System marketing. The overall increase in operating expenses was partially offset by a decrease in plant operations, driven by reduced lease/rent expense resulting from the implementation of GASB Statement No. 87 Leases.

Mr. Richmond provided a review of the Statement of Net Position as of June 30, 2022. Areas of note were (i) unrestricted cash and cash equivalents decreased \$49.6 million from prior-year-end balances primarily due to capital purchases and the repayment of advance payments; (ii) investments decreased \$49.6 million from prior year-end balances driven by unrealized losses due to market conditions; (iii) restricted assets under bond indenture agreements decreased \$84.4 million from prior year-end balances due to bond fund draws and interest payments made during the period; (iv) net capital assets increased \$119.4 million from prior year-end balances due to the ongoing campus transformation, with additional progress on construction of The Glick Center and Behavioral Health Hospital in Cleveland Heights; (v) implementation of GASB Statement No. 87 Leases, which resulted in net additional assets of \$84.8 million as compared to prior year-end.

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, 2022. 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 – Donna Graham

Ms. Graham began by reviewing the Charge Description Master (CDM) overview and strategic pricing. The CDM is a database that contains a comprehensive list of items that could produce a charge, this data is then used to charge accurately for those services or products in accordance with regulations and payor requirements. From January to June 2022, 271 items were added or changed in the CDM, including 183 professional services, 76 technical and 12 global services. Ms. Graham also reviewed and discussed the reasons for the CDM changes and additions.

III. Recommendation/Resolutions Approvals

- A. A Recommendation for Approval of the Purchase of Certain Capital Equipment



The MetroHealth System Board of Trustees

The background was discussed in Executive Session. The Committee unanimously approved the recommendation for full Board action.

Mr. Moss indicated that all further matters to be considered at this meeting involved discussion of trade secrets, matters required to be kept confidential by law, personnel matters, as well as information subject to the attorney-client privilege. Upon unanimous roll call vote, the Committee went into Executive Session to discuss such matters at 9:47 a.m.

Following Executive Session, the meeting reconvened in open session, there being no further business to bring before the Committee, the meeting was adjourned at 10:02 am.

There being no further business to bring before the Committee, the meeting was adjourned at approximately 10:03 am.

Craig Richmond
Executive Vice President, Financial & System
Services Officer