

The MetroHealth System Board of Trustees

INVESTMENT SUBCOMMITTEE MEETING

April 26, 2023

3:00 – 3:30 pm

MetroHealth Board Room K107 or Zoom <https://us02web.zoom.us/j/82877117816>

Meeting Minutes

Subcommittee Members Present: John Moss-I¹, JB Silvers-R²

Other Trustees Present: Vanessa Whiting-R, Inajo Chappell-I, John Hairston-R, E. Harry Walker-I

Staff Present: Airica Steed-I, Nicholas Bernard-I, Richard Blinkhorn-I, Joe Frolik-I, Geoff Himes-I, Olusegun Ishmael-I, Julie Jacono-R, Julia Mason-I, Laura McBride-I, Christina Morales-R, Brad Schwartz-I, Regina Sawyer-R, William Lewis-R

Guests Present: Akram Boutros-R, Jasmine Boutros-I, Suzanne Aral-Boutros-I, Adam Blake-I (Clearstead), Gail Long-I

Mr. Moss called the meeting to order at 3:10 pm, in accordance with Section 339.02(K) of the Ohio Revised Code.

(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 January 25, 2023, Investment subcommittee meeting were approved as submitted.

II. Information Items

First Quarter 2023 Investment Performance – Adam Blake, Clearstead

¹ I – In-person

² R – Remote



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Mr. Moss welcomed the Investment subcommittee, which is a subcommittee of the Finance committee. Mr. Blake, Senior Managing Director from Clearstead (the System's investment advisor) reviewed the Oversight Dashboard, which captures important activities required for appropriate investment portfolio management and subcommittee oversight.

Mr. Blake then provided the subcommittee with an economic and market update, and review of the investment portfolio's performance as of March 31, 2023. Mr. Blake also presented the reserve pool fixed income review, noting the investment characteristics and then discussed the fee review. Overall investment results for the first quarter of 2023 are positive. The net investment gain was \$13.9 million. There were no rebalancing recommendations brought forward and no excess cash was moved to investments during the quarter.

Finally, Mr. Blake provided a brief update on and review of the System's sustainable investing exposure, highlighting the Morningstar Sustainability Ratings.

Recommendation/Resolutions Approvals

A. No items at this time

There being no further business to bring before the subcommittee, the subcommittee meeting was adjourned at approximately 3:24 pm.

Geoff Himes
Interim Chief Financial Officer



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FINANCE COMMITTEE

April 26, 2023

3:0-5:00 pm

The MetroHealth Board Room K107 or Zoom <https://us02web.zoom.us/j/82877117816>

Meeting Minutes

Committee John Moss-I¹, JB Silvers-R²

Members Present:

Other Trustees Present: Vanessa Whiting-R, Inajo Chappell-I, John Hairston-R, E. Harry Walker-I

Staff Present: Airica Steed-I, Nicholas Bernard-I, Dr. Richard Blinkhorn-I, Joe Frolik-I, Geoff Himes-I, Dr. Olusegun Ishmael-I, Ms. Julie Jacono-R, Julia Mason-I, Ms. Laura McBride-I, Ms. Christina Morales-R, Mr. Brad Schwartz-I, Mr. Nicholas Sukalac-R, Ms. Jacqueline Woolnough-I, Mr. Brian Kauffman-R, Mr. Jacob Gall-R, Dr. Regina Sawyer-R, Dr. William Lewis-R

Guests Present: Akram Boutros-R, Ms. Jasmine Boutros-I, Ms. Suzanne Aral-Boutros-I, Mr. Adam Blake-I (Clearstead), Ms. Gail Long-I

Mr. Moss called the meeting to order at 3:25 pm, in accordance with Section 339.02(K) of the Ohio Revised Code.

(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 January 25, 2023, Committee meeting were approved as submitted.

II. Information Items

A. First Quarter 2023 Financial Results – Geoff Himes

¹ I – In-person

² R – Remote



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Mr. Himes began by providing an overview of the Unaudited Financial and Operational Results for the period ended March 31, 2023, compared to December 2022, highlighting significant items that represented a change or variance from the prior year.

Mr. Himes gave an update on the 2022 approved audit report. The report is being reviewed by the Federal Audit Clearinghouse, the Auditor of State's Office, and Cuyahoga County Fiscal Services as the last steps before finalization.

Mr. Himes gave a review of the operating statement from 2022 compared to the operating statement from 2019, or pre-pandemic. Mr. Himes shared that net patient service revenue was flat with the growth due to supplemental funding increases. Other revenue increased due to the continued growth in retail pharmacy operations. These gains were almost completely offset by significant expense increases driven by the workforce shortage crisis and inflation affecting supply cost increases.

Mr. Himes explained that the pandemic forced sustained growth in the cost to deliver care, especially in labor. Expanding supplemental programs significantly supported our annual operating results, and the Retail Pharmacy program has been a major success as an alternate revenue stream. The System is, accordingly, refocusing its efforts on "core" clinical operations.

Turning to the first quarter 2023 operating results compared to the prior year, Mr. Himes shared that net patient service revenue increased \$19.9 million or 7.2%, due to an increase in various volumes including discharges, outpatient visits, emergency visits and outpatient surgeries. Also, an increase in net patient service revenue is attributed to a shift back to in-person visits versus virtual compared to prior year. Other revenue increased \$7.8 million or 6.4%, due to the continued growth in retail pharmacy operations.

Mr. Himes gave an overview of the EBIDA for the three months ended March 31, 2023, was \$15.4 million, a decrease of \$25.8 million or 62.6% over the same period in 2022, which had an EBIDA of \$41.2 million. EBIDA decrease was primarily due to an increase in salaries, wages and benefits due to overtime, premium pay programs, contract labor and wage increases. The System recorded total operating expenses before interest, depreciation, and amortization of \$408.5 million for the



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three months ended March 31, 2023, as compared to \$355.0 million for the same period in 2022, an increase of \$53.5 million or 15.1%.

Dr. Olusegun Ishmael addressed labor expenses and staff retention. There has been a reduction in contract labor. Incentive pay has been moved from 3X to 2X and that change was addressed during a nursing townhall. In addition, there will be a move to an LPN model and partnership with LPN schools to attract additional staff. There is a focus on retention and recruitment with initiatives like the minority nursing fair, which will be held this summer on the MetroHealth campus. International recruitment and virtual nursing will also be utilized to maintain the mission and quality of care.

Mr. Himes discussed the statement of net position. As of March 31, 2023, total assets were \$2.56 billion, a decrease of \$34.7 million from the prior year-end. The change in assets was driven mainly by unrestricted cash and cash equivalents decreased \$52.3 million from prior year-end balances primarily due to capital purchases and timing. Investments increased \$15.6 million from prior year-end balances driven by improved market conditions. Restricted assets under bond indenture agreements decreased \$38.9 million from prior year-end balances due to bond fund draws and interest payments made during the period. Net capital assets increased \$26.7 million from prior year-end balances due to the ongoing campus transformation, with the opening of The Glick Center and the Behavioral Health Hospital in Cleveland Heights in 2022 as well as ongoing construction of the new outpatient building at main campus. Implementation of GASB Statement No. 96 SBITA resulted in net additional assets of \$12.9 million as compared to prior year-end. As of March 31, 2023, total liabilities were \$1.8 billion, a decrease of \$28.6 million from the prior year-end balance. Current liabilities were \$292.8 million, which represents a decrease of \$26.9 million from prior year-end balances. The decrease is largely attributable to the timing of payroll-related liabilities and franchise fees. Long-term liabilities were \$1.5 billion, which represents a decrease of \$1.7 million from prior year-end balances. The decrease is primarily related to the payment of long-term debt obligations, partially offset by an increase in paid vacation amounts owed as well as the implementation of GASB Statement No. 96 SBITA.

Ms. Christine Morales gave an overview of GASB Statement No. 96 Subscription-Based Information Technology Arrangements, which was implemented starting in



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2023. The right to use another party's IT software now results in the recognition of a subscription-based information technology arrangement (SBITA) liability and corresponding right-of-use asset on the Statement of Net Position.

Additionally, expense associated with SBITAs are now recognized as amortization and interest expense as compared to the prior year in which SBITA expense was recognized within the Purchased Services line of the Statement of Revenues, Expenses, and Changes in Net Position.

B. Capital Projects Review – Brad Schwartz

1. 2023 Spending Summary & Committee Structure

Mr. Schwartz discussed the 2023 Capital Budget. Capital expenditures are focused on new assets and other strategic projects, as well as replacement or major maintenance of existing assets. Routine/required capital projects are reviewed on a rolling basis to better coordinate resources for timely execution and to ensure appropriate allocation of resources. Minimum capital threshold is maintained at \$5,000 per item and a useful life of three years or more. Executive leadership must review (e.g., scope, business case, etc.) and approve each capital expenditure request. Capital Working Group also reviews the project for System impact and organizational readiness. The Capital Working Group includes project stakeholders: Nursing, IS, Facilities/Construction, Supply Chain, Finance, Clinical Engineering, and Compliance. Supply Chain reviews all capital projects and negotiates final pricing to ensure maximum discounts and savings are achieved. Mr. Schwartz also proposed some capital process enhancements with the final process being digitized. The Capital Committee will advise on prioritization, and is comprised of clinical, and non-clinical leaders, with the goal of designing, reviewing, and implementing a quantitative, standardized evaluation structure. The CEO, CFO, COO of Hospital Division, COO of Ambulatory Division, and Chief Clinical & Academic Officer will collaborate on approval. A three-year projection of capital needs is being developed. Anticipated capital needs will be captured during the annual budget process.

C. Semi-Annual Schedule of Charges Update – Jacqueline Woolnough

Ms. Woolnough spoke about changes and additions to the Charge Description Master (CDM). The CDM is a database that contains a comprehensive list of items



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that could produce a charge. Every clinical department that provides a service to a patient will have representation in the CDM. This data is then used to charge accurately for those services or products in accordance with regulations and payor requirements. A strategic pricing method is utilized as there is not a “one size fits all” approach. Each new charge undergoes thorough consideration before a final price is set. In 2022 1,984 items were added or changed in the CDM. Year to Date 2023, 29 items have been added or changed in the CDM. The bulk of CDM changes and additions are in the procedural category. For 2023 the changes and additions are mostly for new services or CPT code. The 1,948 changes and additions that were made to the CDM last year represent 9% of all charges in our CDM, based on a count of all charges within the global, professional, and technical/facility CDM files.

III. Recommendation/Resolutions Approvals

A. No items at this time

Mr. Moss stated that the matters to be considered next at this meeting involve discussions of hospital trade secrets as defined in ORC 1333.61.

Mr. Moss asked for a motion to recess into executive session to discuss these proprietary and trade secrets. Ms. Inajo Chappell made the motion, and Dr. Walker seconded. The Board held a roll call vote with all Trustees voting to approve the motion to go into executive session for the purpose stated by Mr. Moss.

Members of the public were excused. The Board went into executive session to discuss the identified matters at 4:45 pm.

Following the executive session, the meeting reconvened in open session at approximately 4:53 pm and welcomed back the public via Zoom and those members of the public who remained in-person.

Mr. Moss stated there was no further business to bring before the Committee, the meeting was adjourned at approximately 4:54 pm.

THE METROHEALTH SYSTEM

Geoff Himes,
Interim Chief Financial Officer

