

The MetroHealth System Board of Trustees

FINANCE COMMITTEE

October 25, 2023

3:00-5:00 pm

The MetroHealth Board Room K107 or Zoom

<https://us02web.zoom.us/j/82877117816>

Meeting Minutes

Committee John Moss-I¹, JB Silvers-I

Members Present:

Other Trustees Present: Inajo Chappell- R², E. Harry Walker-I, Maureen Dee-I, John Corlett-I, E. Harry Walker MD-I, Robert Hurwitz-R

Staff Present: Dr. Airica Steed- R, Nicholas Bernard-I, Laura Black-I, Dr. Richard Blinkhorn-I, Kate Brown-I, Dr. Nabil Chehade-I, Geoff Himes-I, Derrick Hollings-I, Dr. Olusegun Ishmael-I, Julie Jacono-I, Dr. William Lewis-I, Christina Morales-I, Dr. Holly Perzy-I, Sonja Rajki- I, Brad Schwartz-I, Nicholas Sukalac-I, Adam Winston- I

Guests Present: Adam Blake-I (Clearstead), Suzanne Aral-Boutros-I, Jasmine Boutros-I

Mr. Moss called the meeting to order at 3:05 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 August 23, 2023, Finance Committee meeting were approved as submitted.

II. **Information Items**

A. Third Quarter 2023 Investment Performance - Adam Blake, Clearstead

¹ I – In-person

² R - Remote

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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 investment subcommittee with an economic and market update, and review of the investment portfolio's performance in the third quarter of 2023. Mr. Blake also provided an investment policy review and a preview of the 2024 dashboard. Mr. Blake stated that The Fed is likely to continue tighter monetary policy amidst stronger than expected growth and headline inflation.

Mr. Blake discussed tailwinds and headwinds moving into 2024. The fourth quarter is historically strong for the S&P 500. Job growth slowing but labor markets are still strong; unemployment claims near 2023 lows. Potential headwinds include consumers slowing, debt building, defaults rising in riskier cohorts (corporate and consumer).

Despite a lot of volatility in the in the capital markets, the System experienced about \$1.9 million in interest income and about \$3.3 million in unrealized losses in the non-reserve pool. Collectively the System's investments were off by \$1.3 million. The reserve pool is up 70 basis points, and the non-reserve pool is down 3.8%. The total System investment portfolio is down 30 basis points for the third quarter of 2023.

Mr. Blake proposed a modest rebalancing recommendation to reduce emerging markets and reallocate to developed international. Total international equity remains underweight.

Mr. Blake then gave a review of the investment policy that was adopted on April 12, 2018. A minimum of 60% of the portfolio has to be invested in fixed income. \$300 million must always be in the Reserve Pool. Anything over \$300 million is eligible for the Non-Reserve Pool which can be 100% equity or fixed income, no alternatives.

B. Third Quarter 2023 Financial Results

Mr. Moss began by introducing the new MetroHealth CFO Derrick Hollings to the rest of the meeting attendees. Mr. Hollings began by providing an overview of the Unaudited Financial and Operational Results for the period ended September 30, 2023, compared to the same time in 2022, highlighting significant items that represented a change or variance from the prior year.



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Mr. Hollings spoke of the operating revenue increase from the same period of 2022, from \$1.18 billion to \$1.33 billion as of September 30, 2023. And increase of \$152 million or 12.9%. Expenses have increased due to salaries, wages, and benefits. Pharmaceutical costs related to the continued growth in retail pharmacy operations at \$40.4 million.

Mr. Hollings discussed the statement of net position. Net patient service revenue increased \$75.1 million or 8.8%. Other revenue increased \$76.9 million or 23.2%, mainly due to the continued growth in retail pharmacy operations. The System recorded total operating expenses before interest, depreciation, and amortization (EBIDA) of \$1.24 billion for the nine months ended September 30, 2023, as compared to \$1.08 billion for the same period in 2022, an increase of \$158.6 million or 14.6%. The increase in operating expenses was primarily driven by salaries, wages, and benefits at \$99.5 million. Expenses also increased due to pharmaceutical costs related to the continued growth in retail pharmacy operations at \$40.4 million. EBIDA for the nine months ended September 30, 2023, was \$91.0 million, a decrease of \$6.5 million or 6.7% over the same period in 2022, which had an EBIDA of \$97.5 million. The EBIDA decrease is primarily due to the labor shortage. As of September 30, 2023, total assets were \$2.5 billion, a decrease of \$84.1 million from the prior year-end.

Mr. Hollings concluded his remarks by pointing out that the EBIDA is currently \$91.0 million. The year ending 2023 EBIDA should be approximately \$108.0 million which will compare favorably to the adjusted EBIDA of \$134.0 million.

IV. Executive Session

Mr. Moss stated that the next items were topics for an executive session. He asked for a motion to go into executive session to discuss hospital trade secrets as defined by ORC 1333.61. Dr. Walker moved and Ms. Inajo Chappell seconded the motion. 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 3:32 pm.

Following the executive session, the meeting reconvened in open session at approximately 4:00 pm and welcomed back the public via Zoom and those members of the public who remained in-person.

V. 2024 MetroHealth Operating Budget and Capital Budget



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A. Recommendation for the Approval of the 2024 MetroHealth Operating Budget and Capital Budget

Mr. Hollings presented the MetroHealth 2024 Operating Budget. Total operating revenues are \$1.946 billion. \$1.157 billion in net patient revenues and another \$214 million in supplemental payments. \$574 million consists of retail pharmacy revenue. Operating expenses are \$1.806 billion. \$1.163 billion in labor costs. Depreciation and interest are \$162 million and department expenses are \$643 million. Taking the operating revenue and operating expenses together leads to a \$143.22 EBIDA.

Mr. Hollings then spoke about the Capital Budget at \$40 million for routine capital outlays and related that it does not include the entire master campus plan. 35% of this budget is allocated to information technology, 35% to facilities and 30% to clinical operations.

Mr. Moss asked for a motion on the resolution for approval of a Proposed budget for the 2024 Fiscal Year and to Authorize the Submission of the same to the Government of Cuyahoga County which was given, seconded and the Resolution to Approve the Proposed Budget for the 2024 Fiscal Year and to Authorize the Submission of the same to the Government of Cuyahoga County, Ohio was approved unanimously. Resolution 19586

Mr. Moss then asked for a motion on the resolution for Approval of Certain Annual Purchasing Policies and Procedures which was given, seconded and the Resolution to Approve Certain Annual Purchasing Policies and Procedures was approved unanimously. Resolution 19584

Mr. Moss stated there was no further business to bring before the Committee, the meeting was adjourned at approximately 5:07 pm.

Derrick Hollings,
Chief Financial Officer

