



MetroHealth

Annual Budget Summary

Cuyahoga County Council

November 4, 2021



2022 Operating and Capital Budget Highlights

- Operating income (adjusted*) target of \$87.3M, with 5.5% operating margin
- EBIDA (adjusted*) target is \$152.6M, with 9.7% EBIDA margin
- Capital Spend: \$40M Routine/Required
- Maximum Annual Debt Service coverage - 2.8x
- Debt Service Coverage – 3.1x
- Unrestricted cash and investments - \$751M
- Days Cash on Hand -186

* For comparative purposes the 2022 Targets exclude the GASB 89 Capitalized Interest and GASB 87 Leases impacts

2022 Operating Budget Summary

(in \$000s)

	Low	2022 Target ⁽¹⁾	High
Net Patient Revenue	\$ 1,098,838	\$ 1,114,838	\$ 1,119,838
Other Revenue	415,616	430,616	435,515
County Funding	32,400	32,400	32,400
Total Revenue	1,546,854	1,577,854	1,587,753
Salaries and Benefits	912,551	907,551	906,651
Department Expenses	503,320	498,320	497,820
General Expenses	84,711	84,711	84,711
Total Expenses	1,500,582	1,490,582	1,489,182
Adjusted Operating Income (Loss)⁽²⁾	\$ 46,272	\$ 87,272	\$ 98,571
Adjusted EBIDA⁽²⁾	\$ 111,639	\$ 152,639	\$ 163,938

(1) For comparative purposes the presentation of the 2022 Targets exclude the impact of GASB 89 Capitalized Interest and GASB 87 Leases.

(2) The presentation of adjusted operating income (excludes non-recurring items, GASB 68 Pension and GASB 75 OPEB) as we measure it for management purposes enhances the understanding of our results of operations by highlighting the results from ongoing operations and the underlying profitability factors of our business.

2022 Major Opportunities and Risks

Opportunities

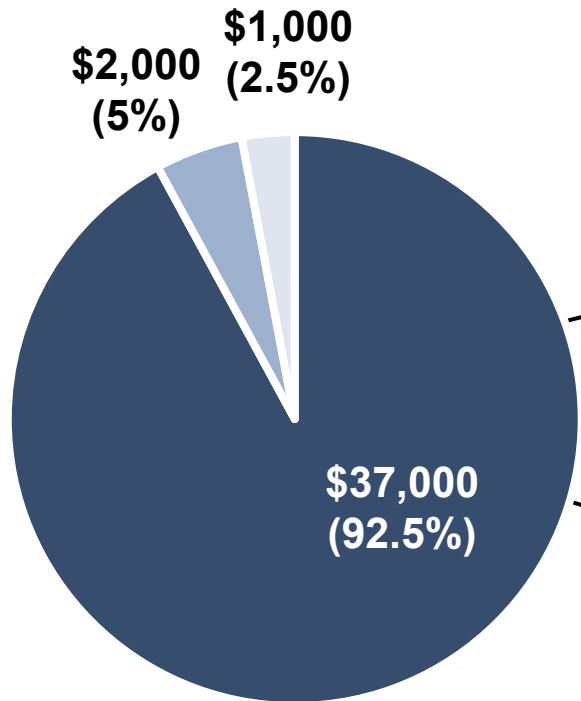
- Population health and wellness initiatives (virtual care, Medicare Direct Contracting, behavioral health and other collaborations, etc.)
- Further diversify revenues and pursue innovative opportunities
- Rebranding and marketing, new facilities
- Continuous transformational improvements in services and overall performance
- Front Line Hospital Alliance securing a federal designation to protect against cuts and achieve stable, predictable and sufficient funding

Risks

- Ongoing COVID-19 uncertainty, direct impacts and on local economy (workforce shortage, supply chain disruption, inflation, care delivery or utilization challenges)
- Transition risks associated with opening two new hospitals given pandemic uncertainties
- Federal and State reimbursement reductions (sequestration reinstated, PAYGO, etc.)
- 340B pricing changes with contracted pharmacies and other major program changes
- Increasing risk associated with Medicare Direct Contracting

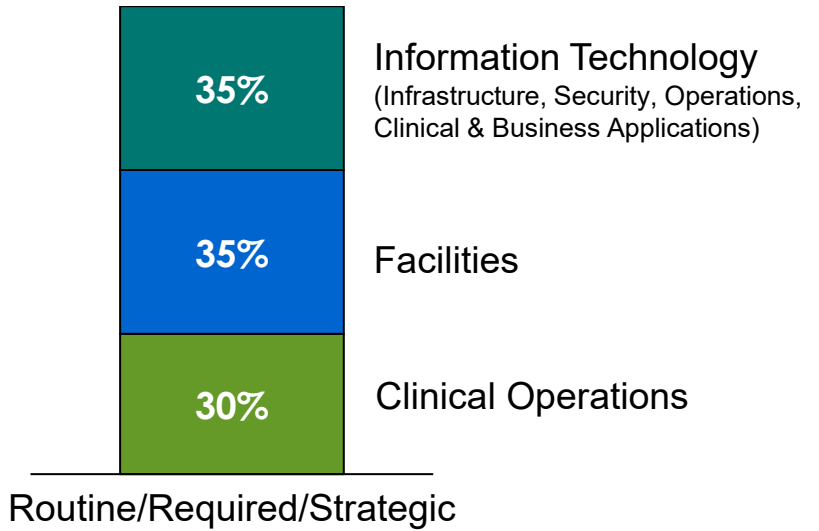
2022 'Core' Capital Budget

(in \$000s)



Routine/Required/Strategic	\$ 37,000
Contingency	2,000
Minor	<u>1,000</u>
Total	\$ 40,000

Estimated Funding Allocation



Note: 2022 "Core" Capital is funded from operating cash flow for the ongoing operations of MetroHealth. The Campus Transformation project is funded from the Series 2017 Bond issuance. Other strategic projects beyond the bond-funded Transformation Project will be funded from cash reserves and operating cash flow.

Macro-Trends Impacting Healthcare Nationally

Utilization: COVID-19 has greatly impacted healthcare utilization across all sites of care; Volume recovery across 2021 is a leading indicator for strong long-term outpatient growth and stable inpatient volumes.

Health equity: Health equity emerges as a national crisis. Social determinants of health are a hurdle in achieving greater health equity and improved health outcomes.

Digitalization: The emergence of big data and virtual capabilities have changed the health care landscape for good.

Value-based Care: Although healthcare spending decreased for the first time in 60 years as a result of COVID-19, high prices continue to make America one of the most expensive countries for healthcare. As a result, value-based care will continue to evolve as an effort to lower costs across the system.

Workforce: Workforce shortages hamper patients' ability to access care efficiently, leaving the industry ripe for disruption that includes care redesign, 3rd party entrants, and service rationalization.

Source: Vizient (April 2021)