

**MEDICAL UNIVERSITY HOSPITAL AUTHORITY AND MEDICAL UNIVERSITY OF SOUTH CAROLINA
BOARD OF TRUSTEES
SPECIAL-CALLED MEETING
JUNE 21, 2024, MINUTES**

The MUSC and MUHA Board of Trustees convened a special-called meeting on Friday, June 21, 2024, at the Palmetto Club in Columbia, SC, with the following board members present: Dr. James Lemon, Chair; Mr. Charles Schulze, Vice-Chair; Ms. Terri Barnes; Mr. Jim Battle; Dr. Melvin Brown; Dr. Fritz Butehorn; Dr. Guy Castles; Dr. Paul Davis; Ms. Barbara Johnson-Williams; Dr. Murrell Smith, Mr. Tom Stephenson, and Dr. Bart Witherspoon. In addition, the following members of MUSC's administration were present: Mr. Rick Anderson; Dr. Patrick Cawley; Dr. David Cole; Ms. Annette Drachman; Dr. Lisa Saladin; Dr. Terry Steyer, and Mr. Mark Sweatman.

Item 1. Call to Order

There being a quorum present, Chairman Lemon called the meeting to order.

Item 2. Roll Call and Date of Next.

Katherine Haltiwanger, Secretary to the Board, called the roll.

Item 3. Executive Session.

Chairman Lemon recognized Mr. Battle who moved that the Board go into closed session to discuss the following items pursuant to section 30-4-70(a) of the South Carolina Code related to negotiations of contracts related to the expansion of clinical services; and the purchase of real property in Charleston County; and Strategic planning.

Board Action: The motion was seconded, voted on, and unanimously carried. Chairman Lemon announced the Board would move into closed session at this time. At 10:45 a.m., the Board returned to open session with no action taken.

Item 4. Request to Apply for Certificate of Need (CON) Application.

Dr. Patrick Cawley, CEO, MUSC Health, presented for approval a request for the Medical University Hospital Authority (MUHA) to apply for Certificate of Need (CON) Applications for MUHA to move the MUSC Health Mullins Nursing Center from Nursing Home from 518 South Main Street, Mullins, South Carolina, to the Second and Third Floor of the Marion Medical Center and reduce the number of acute licensed hospital beds as necessary.

Board Action: Dr. Lemon made a motion to approve, the motion was seconded, voted on, and unanimously carried.

Item 5. Increase in KPMG External Audit Engagement Fees for Approval.

Mr. Tom Stephenson requested approval of an increase in KPMG's External Audit Engagement Fees of \$19,200 for MUSC Strategic Ventures and \$13,950 for Mainsail.

Board Action: Dr. Lemon made a motion to approve, the motion was seconded, voted on, and unanimously carried.

Item 6. MUSC FY2025 Budget.

Ms. Susie Edwards, Chief Financial Officer for MUSC, presented MUSC's proposed FY2025 operating and capital budgets. Ms. Edwards started with an overview of the university's student, employee, and financial growth from FY20 to the present; academic enrollment trends over the last five years; and the history of budgeted appropriations starting in FY2008 and then FY2021 to current. Tuition mitigation received between 2020 and 2025 equals \$31.5M, resulting in MUSC not raising in-state tuition in the past five years. The proposed FY2025 revenue budget assumptions include \$149,775,930 in state appropriations, \$110,054,399 in tuition and fees, \$279,869,268 in grants and contracts, \$118,756,267 in MUSC Physician Practice Salary reimbursement, and other college-based clinical revenue of \$12,040,165. Ms. Edwards reviewed the breakdown of the health system pass-through dollars totaling \$48 million. FY2025 salaries and benefits expenses include the state-mandated 2.25% cost of living increase and increase in employer portion to health and dental insurance. In the FY2025 revenue budget of \$1.033B, grants and contracts represent the largest portion at 27% of the revenue budget and of the FY2025 expenditure budget, and salaries and benefits represent the largest portion of the expenditure budget at 50%. The FY2025 proposed Operating Budget's budgeted funds' bottom line is projected at \$8.2M. Capital projects included in the FY2025 proposed capital budget total \$41,352,363 and the proposed investment of prior year funds totaling \$53,857,350. Total audited margin (without pension and OPEB is projected to be 1.0% and cash on hand as of May 2024 is 180 days or \$439 million. Ms. Edwards reviewed the University's debt capacity assumptions and a comparison of MUSC's debt (bonds and notes) compared to other South Carolina research institutions. The University's lease long-term liabilities are \$79.1M with annual lease payments of \$8.2M. Using KPMG's methodology for debt capacity utilization, MUSC's current utilized debt is \$0.2B leaving an excess debt capacity well below the 50% BOT limit of \$0.8B.

Board Action: Received as information.

Item 7. MUSC Health FY2025 Budget.

Mr. Doug Lischke, Chief Financial Officer for MUSC Health, presented MUSC Health's proposed FY2025 operating and capital budgets. Mr. Lischke began with the environmental overview using a SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats). Highlights included Strengths of being financially healthy; Weaknesses related to access to ambulatory and primary care; Opportunities with the continued heavy migration to SC; and Threats resulting from the sunset of CON driving new competition from out-of-state and private equity firms. Mr. Lischke gave an overview of industry-standard headwinds and tailwinds; the competitive landscape including bordering states' health systems which remain the greatest competitive threat; private equity firms pursuing new opportunities; and large-scale market disrupters breaking into the market. He commented that from an industry standpoint, the rating agencies are all in agreement that the outlook remains uncertain but stated that MUSC is in a better position than most. He reviewed the strategic purpose of six key principles; the MUSC Health system footprint; and FY2025 key investment areas including, physician growth and facilities and infrastructure growth and other areas. Major FY2025 budget assumptions include inpatient surgical and acute growth and ambulatory surgical growth; cost structure and efficiencies including \$135M in revenue enhancements, \$64M for supply chain, 4% market-based compensation plan, and increased focus on clinical and research productivity and increased physician investment; strategic partnerships and investments with Encompass Health, OIA, and Intuitive; and support of the academic enterprise; and \$592M in capital investments. The proposed FY2025 MUSC Health System consolidated operating budget is projected to have operating revenues of \$6.099B and operating expenses of \$5.597B. The projected Operating Margin is 4.2% with a total margin of 2.4%. FY2025 capital projects and investments include \$524M for MUHA and \$68M for MUSC Physicians.

FY2025 Days Cash on Hand are projected at 56 days for MUHA and 104 days for MUSC Physicians. Using KPMG's methodology for debt capacity utilization, MUHA's current utilized debt is \$1.0B leaving an excess debt capacity well below the 50% BOT limit of \$3.2B.

Board Action: Received as information.

Item 8. New Business for the Board of Trustees.

None.

The meeting was adjourned at 11:35 a.m.

Respectfully submitted,
Katherine Hiltiwanger
Board Secretary