



OHSU as a Public Corporation

Senate Committee on Education & Workforce Development

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Overview

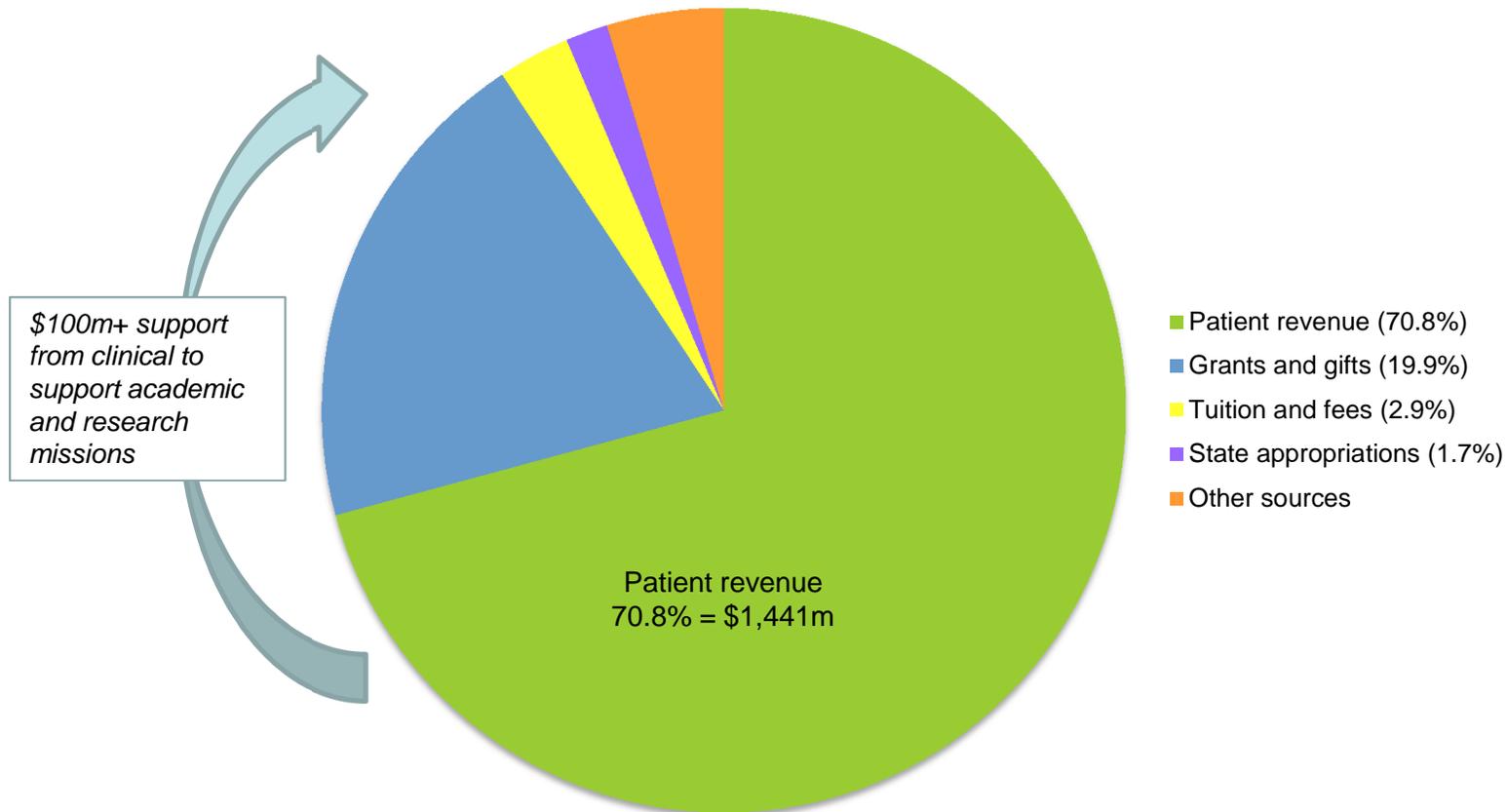
- OHSU has transformed itself since SB 2 passed in 1995. Keys to transformation:
 - Empowered board
 - Access to capital
 - Clarity of mission
 - Nimbleness
- Wisdom of SB 2: customized to specific OHSU circumstances and needs. Not a one-size-fits-all approach. Results have been tremendous.

OHSU Today

- Statewide mission—96,000 square mile campus
- Oregon’s major academic health center
- Four schools: Medicine, Nursing, Dentistry, Pharmacy
 - Educate roughly 4400 students and trainees
- Large health system – two hospitals
 - More than 875,000 patient visits/year
 - Over 50% of our patients come from outside of Portland
- Large and growing research mission
 - \$359 million last year (trend up even as ARRA sunsets)
- Largest employer in Portland: 14,000+ employees
 - Generate ~\$4 billion in regional economic activity

How is OHSU Funded?

FY12 Revenues by Source (Total = \$2.035 billion)



Clinical Mission Support to University

	Actual FY 07	Actual FY 08	Actual FY 09	Actual FY 10	Actual FY 11	Actual FY 12
Hospital Support	46,842,721	45,325,782	62,854,626	72,091,570	86,382,004	91,190,000
Faculty Practice Plan Support	12,242,745	13,235,236	15,544,693	15,870,538	16,218,000	17,235,000
Total	59,085,466	58,561,068	78,399,319	87,962,108	102,600,004	108,425,000
% Change		-0.9%	33.9%	12.2%	16.6%	5.7%

Becoming a Public Corporation

Growth and Change

- Until 1974, what is now known as OHSU, had been a collection of separate entities co-located on Marquam Hill.

Fiscal Year	Operating Budget	State Appropriations	Grant Awards	Employees	Students
1975	\$80 million	42.0%	\$14 million	4,325	1,610
1985	\$190 million	28.0%	\$18 million	5,200	1,200
1990	\$340 million	19.0%	\$43 million	6,500	1,536
1995	\$499 million	12.0%	\$86 million	6,651	1,855

Early 1990s: OHSU Ripe for Change

- Very difficult operating environment
 - Measure 5 limited state funding
 - Rise of managed care
- Needed to be more nimble to respond to patient needs and marketplace trends
 - Price differential of academic health center
- OHSU had unique strategic/programmatic needs within OSSHE
 - Focused on health care delivery and health education rather than broad undergraduate programs and populations

SB 2: Public Corp Tools Beginning in 1995

- Empowered board
 - Ability to chart our own strategic direction
- Access to capital markets
- Clarity of mission
 - Maintained public missions in partnership with the State
- Nimbleness
 - Able to respond to competitive health care marketplace – resulting in substantial expansion of health care delivery around the state
 - Able to partner (important in health care reform)

OHSU Board of Directors

- OHSU is governed by a 10-member Board: (a) nine members appointed by the Governor and confirmed by the State Senate, and (b) the OHSU President.
 - One Board member must be an OHSU student, and one must be a member of the OUS Board.
 - The 7 at-large members must have experience related to the OHSU missions or important to OHSU’s success “...including but not limited to higher education, health care, scientific research, engineering and technology and economic and business development.”
- Biggest strength: Our board has only one constituency

OHSU Board of Directors

continued

- OHSU's current Board includes an array of community members with a variety of qualifications – financial, health care, legal and administrative.
 - Past OHSU Boards have included members in high-tech and venture capital.
 - In practice, rural Oregon is always represented on the Board by at least one member.
 - Charles Wilhoite currently serves as chairman.
- SB 2 transferred authority from the OUS Board to OHSU's Board and provided for coordination and collaboration with individual universities and collectively through OUS.

OHSU's transformation

- Innovation in health care practice
 - Integration of faculty practices into one group (2001), later integrated into School of Medicine (2009)
 - Knight Cancer Institute
 - Knight Cardiovascular Institute
- Expansion of research/education infrastructure
 - Merger with Primate Center, Oregon Graduate Institute
 - Oregon Opportunity campaign
 - Climb up the NIH rankings
 - Growth of collaborative education programs

OHSU's transformation

continued

- Significant facilities improvements
 - 1998: New Doernbecher Children's Hospital
 - 2001-2002: Marquam Hill Plan
 - 2004: Schnitzer Campus land gift
 - 2006: BRB, KPV, CHH and Tram open
 - Today: CLSB
- Building financial wherewithal
 - Pressure-tested through worst economy since the Great Depression – last five years best ever for OHSU
 - Improved our bond rating to A+

Growth and Change

Fiscal Year	Operating Budget	State Appropriations	Grant Awards	Employees	Students
1995	\$499 million	12.0%	\$86 million	6,651	1,855
2000	\$882 million	6.4%	\$168 million	10,100	1,854
2005	\$1.18 billion	3.5%	\$274 million	11,500	2,511
2010	\$1.85 billion	2.0%	\$392 million	13,292	2,721
2012	\$2.06 billion	1.7%	\$359 million	13,984	2,849

Moving Forward: Being Nimble & Collaborative is More Important than Ever

- Clinical partnerships (by invitation)
 - The Dalles, Astoria, Coos Bay (radiation oncology)
 - SW Washington (Peds), Sacred Heart (Peds), Legacy (Oncology)
- Education, research
 - PSU Strategic Alliance
 - OHSU/OUS Collaborative Life Sciences Building
- Research, commercialization
 - FEI Living Laboratory
- Excellence attracts philanthropic partners like Phil and Penny Knight and others

Lessons Learned

- Difficulty of developing administrative services from scratch
 - No HR
 - No payroll
 - Minimal legal, no risk management, no internal or external audit function
- Made it more difficult to become nimble
 - Would have helped to have some infrastructure in place before the switch

Specific Issues Relevant to Current Higher Education Discussion

Property

- SB 2: OHSU was given an exclusive long-term leasehold interest in the “real property and facilities acquired by the State of Oregon prior to 7/1/95 and utilized by [OHSU]...”
 - OHSU leases from the State the Marquam Hill land and those facilities on Marquam Hill that were owned by the State as of 7/1/95.
- SB 2: empowered OHSU to acquire property
 - Significant construction on Marquam Hill since 1995 – OHSU owns the facilities, State of Oregon still owns the land
 - Purchased/acquired land: South Waterfront/Schnitzer Campus
 - Lease property from third parties at a number of locations

Other Flexibilities

- Able to offer PERS and University Pension Plan
- Exempt from public contracting laws
 - SB 2 requires us to “subscribe” to policies underlying the law and develop contract policies that support openness and impartiality
 - OHSU immediately adopted policies that mirror public contracting laws – open, competitive processes
 - Also adopted policies on:
 - Affirmative action
 - Prevailing wage
 - Participation of emerging small businesses and women and minority contractors and contracting with individuals with disabilities

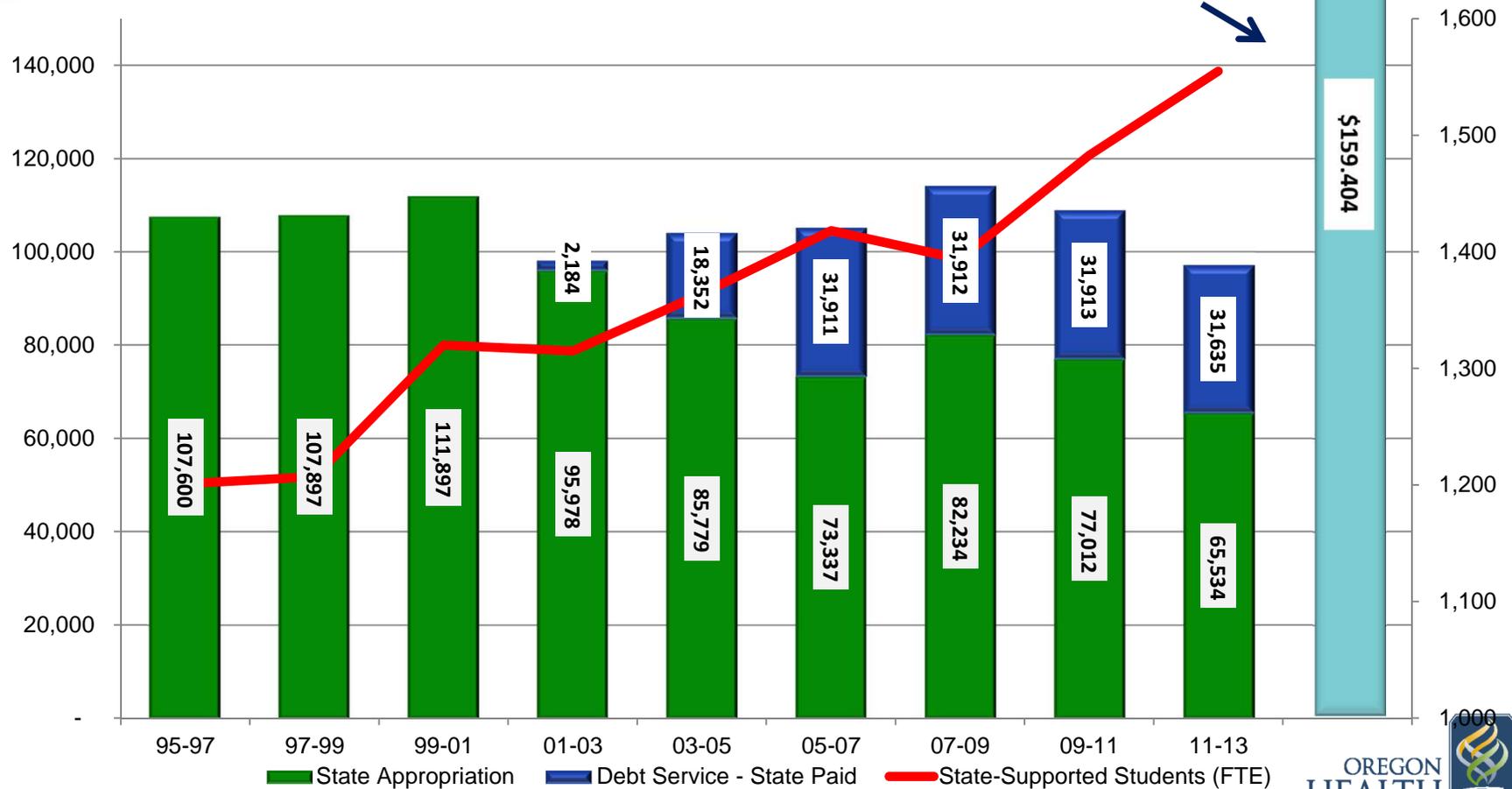
Tuition

- Tuition and student debt are growing problems – both in Oregon and nationwide
 - OHSU working hard to increase scholarships
 - Now more than \$53 million in endowed scholarship funds
 - OHSU tuition package before legislature
 - Tuition Stabilization + Scholars for a Healthy Oregon Initiative
- Work hard to balance the 4 missions consistent with the multiple mandates of SB 2
 - Growing scientific & research capacity in addition to workforce
 - Both require investment

OHSU State Appropriation Including Debt Service

(in thousands)

Represents the value of 95-97 State Appropriation stated in current dollars



Note: Inflation data taken from the Consumer Price Index (CPI-U: All Urban Consumers), compiled by the Bureau of Labor Statistics
 Inflated totals reflect value of 95-97 appropriation adjusted for inflation beginning July, 1995 to July, 2011

Conclusion

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Questions?