

OHSU Board of Directors Meeting

January 30, 2014 School of Nursing, 358/364 1:00 pm – 3:00 pm

OREGON HEALTH & SCIENCE UNIVERSITY BOARD OF DIRECTORS MEETING

January 30, 2014 1:00 – 3:00 p.m. School of Nursing, Rooms 358 & 364

1:00 p.m.	Call to Order/ Chairman's Comments President's Comments Approval of Minutes (Action)	Jay Waldron Joe Robertson, M.D. Jay Waldron
1:10 p.m.	Financial Update	Lawrence Furnstahl
1:25 p.m.	Psychiatry at OHSU	George Keepers, M.D.
1:40 p.m.	Vision 2020: Our Strategic Direction for the Next Five Years (Action)	Jeanette Mladenovic, M.D.
2:05 p.m.	Facilities Plan / Knight Cancer Institute	Brian Newman
2:20 p.m.	2014 Legislative Agenda	Brian Shipley
2:35 p.m.	Committee Appointments (Action)	Connie Seeley
2:45 p.m.	Other Business, Adjournment	Jay Waldron



Next meeting Thursday, Apr. 24, 2014 School of Nursing, rooms 358/364 1:30-3:30 p.m.

Rev. 1/22/14, 12:30pm

Oregon Health & Science University Board of Directors Meeting October 24, 2013

Board Members in Attendance: Charles Wilhoite, Ken Allen, Román Hernández, Poorav Patel, Joe Robertson, MardiLyn Saathoff, Amy Tykeson, Jay Waldron, David Yaden

Staff Presenters: Lawrence Furnstahl, Drew Corrigan, Greg Moawad

Chair's Comments

Mr. Wilhoite called the meeting to order, welcoming all in attendance and stating that this was his last meeting as a member of the Board after serving for over nine years. He expressed that it has been an honor and privilege to serve the Board as OHSU works to improve the quality of lives and save lives. Mr. Wilhoite thanked Mr. Hernández for his exemplary service to the Board and said that his distinguished skills have been an asset to the institution. Mr. Hernández brings commitment, professionalism, distinction, and quality to all of his work. He is also a pioneer and leader in diversity and inclusion. OHSU benefitted greatly from his knowledge and expertise. Ms. Tykeson was inducted into the Cable Hall of Fame, an honor indicative of the Board members' accomplishments.

President's Comments

Dr. Robertson concurred with Mr. Wilhoite, stating that it has been a privilege and honor that Mr. Hernández served on the Board. He thanked Mr. Wilhoite and Mr. Hernández for their service and said that he valued their friendship.

Dr. Robertson stated that the biggest news since the last meeting is the Billion Dollar Knight Cancer Challenge issued by Phil and Penny Knight. It is a transformational gift to the institution and cancer research that will have tremendous impact, changing the way people think about philanthropy. It will bring new scientists to OHSU along with the ability to recruit additional resources and build new core laboratory facilities. The fundraising campaign will be coordinated through the Foundation; Dr. Robertson said that failure is not an option.

Vollum Institute's Isabelle Baconguis received an Early Independent Award, given to exceptional junior scientists who have recently completed doctoral degrees or finished their medical residency. In the commercialization arena, 26 patents have been granted in 2013 reflecting a 30% increase from 2012 and a 117% increase from 2011. Ninety new patent applications have been filed, which is a 66% increase from 2012 and an OHSU record. OHSU has signed 81 commercial agreements with private industry, allowing the owner of the technology to grant rights to another party to use or evaluate the technology. This is a 45% increase from 2012 and also a record.

Doernbecher was named one of 14 major building engineering achievements of the past century by the International Federation of Consulting Engineers. Doernbecher was the only U.S. building project recognized; other recipients included the Sydney Opera House and the English Channel Tunnel.

Approval of Minutes

Mr. Wilhoite asked for approval of the minutes of the September 12, 2013 Board meeting, included in the Board Docket. Upon motion duly made and seconded, the minutes were unanimously approved.

Financial Update

Mr. Furnstahl reported that OHSU's audited FY '13 operating income was \$98.6 million. This was above the preliminary report due to the identification of \$2.6 million in health benefit cost reserves that were not needed. Total earnings were \$39 million above budget, of which approximately \$9 million were one-time and non-cash accounting adjustments. The remaining \$30 million was due to increased complexity of patient activity and the tight control of expenses and overhead. Operating income for the Foundation was \$51 million compared to a negative \$35 million in FY '12. This is due to the accounting used for the receipt of gifts to the Foundation and the subsequent transfer to OHSU, and most notably, the Knight Cardiovascular Institute gift. Thus, taking into account reclassifications in state appropriations and capital contributions, the consolidated income rose from \$7.7 million in FY '12 to \$125 million in FY '13. Mr. Furnstahl pointed out pages 3 through 16 of the audited financial statements, which provide an extensive discussion and analysis of results along with the interpretation of trends.

Financial Statement Audit FY13 – Resolution 2013-10-06

Drew Corrigan described that he met with management and the Finance and Audit Committee to discuss the audit results in detail prior to the Board meeting. He stated that KPMG will issue their report upon approval from the Board and management. Mr. Corrigan is serving his last year as the lead partner for OHSU's annual financial statement audit. KPMG will issue an unqualified, or "clean", opinion on all of the financial statements for FY13. Internal controls were considered during the audit, but a separate opinion is not given on internal controls. No problems or issues arose during the audit and all planned work was executed.

KPMG did not find any material errors, irregularities, or illegal acts during the course of the audit and will be issuing an unqualified opinion. The interest rate swap novation was the only non-routine transaction identified. KPMG concentrated efforts on management judgments and accounting estimates and concurred with the estimates and consistency applied each year. Mr. Corrigan agreed with Mr. Waldron that one of the most important estimation is the patient account receivables. He explained that the auditors test the systems that are providing the data and compare the actual collection rate in recent months to the application of open receivables. They also consider the prior year's results to corroborate the current year estimates.

With OHSU's significant investment portfolio, the foundation audit teams spend a substantial amount of time in testing alternative investments. Past adjustments were discussed, with Mr. Corrigan noting that OHSU took a somewhat more conservative approach in accounting than KPMG would have thought necessary. None of the adjustments were material to the overall financial statements. There were no disagreements with management to report, and KPMG received excellent cooperation from management and staff. Mr. Corrigan affirmed that KPMG is able to issue an opinion because it is independent of OHSU in terms of any relationships or services. The cost report settlement activities have been appropriately accounted for in FY13 and it is not unusual to have changes in estimate impacting the current year.

Responding to Ms. Tykeson, Mr. Corrigan stated that KPMG has been OHSU's auditing firm since 2002. KPMG maintains contact regarding accounting matters and issues throughout the year. Mr. Wilhoite complimented Mr. Corrigan and the rest of the firm on their depth of knowledge and the outstanding service that they provide. Mr. Corrigan works exclusively with not-for-profit healthcare and higher education institutions. He has worked with OHSU through monumental projects including the Kohler Pavilion, BRB, and the Tram. Mr. Corrigan thanked the Board for their support and the opportunity to work with OHSU. Jacqueline Cabe will be taking over for Mr. Corrigan, though the rest of the audit team will remain for consistency. Ms. Cabe attended the Finance and Audit Committee meeting and has had meetings with Mr. Furnstahl as they transition leadership. Mr. Corrigan will remain a resource for the KPMG audit team. Mr. Yaden commented that the audit statements were remarkably clear and informative. Mr. Furnstahl added that Mr. Corrigan has to leave the audit team because of KPMG internal rules requiring rotations. He praised KPMG for its expertise, collaboration, independence, and toughness.

Mr. Wilhoite asked for approval of Resolution 2013-10-06, accepting KPMG's Financial Statements and Independent Auditors' Report for the fiscal year ending June 30, 2013. Upon motion duly made and seconded, the resolution was unanimously approved.

FY13 Investment Results & Fixed Income Investment Policy – Resolution 2013-10-05

Mr. Furnstahl explained that fixed income management will be shifted to a new firm, and he is requesting refinements to the investment policy. Consolidated investments total \$1.4 billion, with \$668 million attributed to the Foundation and the remaining \$771 million on OHSU's books. The investment policy being revised only applies to OHSU funds. OHSU's cash and investments have doubled over the last five years, an indicator of financial strength. In FY13, there was a \$16 million investment return on the \$700 million in cash and investments; this is a 2.1% return, which is just below benchmark.

An RFP for the core portfolio, which consists of \$320 million in short and intermediate term fixed income investments, was submitted with JP Morgan selected as the investment manager. JP Morgan was chosen for their disciplined approach, excellent reporting, and superior returns in the short and long term.

The Board policy that states corporate indebtedness must be investment grade or BBB- is not changing. The requested resolution amends Exhibit A to conform other specifics in line with the policy. It adds benchmarks and gives flexibility to the duration of the portfolio. The proposed short-term credit guideline for 30 day notes expands from A1/P1 to A2/P2, or the notch below. This is consistent with the long-term policy. Certificates of deposit guidelines will be conformed to match corporate indebtedness guidelines. Responding to a question from Mr. Waldron, Mr. Furnstahl explained that Yankee CDs are from foreign banks with a U.S. subsidiary that issue dollar-denominated CDs. Expanding the guidelines to include Yankee CDs allows greater flexibility and diversity in investments. The remaining changes clarified policy ambiguities. Ms. Saathoff confirmed with Mr. Furnstahl that the changes offer more diversification and they do not increase the investment risk profile. Responding to Mr. Patel, other banks considered in the RFP prior to the selection of JP Morgan included Union Bank, U.S. Bank, Mellon, PNC, and Wells Fargo. The RFP process was worthwhile as there were differing rates and fees among the banks and JP Morgan met the market for the fees.

Mr. Wilhoite asked for approval of Resolution 2013-10-05, amending Exhibit A of the Investment Policy. Upon motion duly made and seconded, the resolution was unanimously approved.

First Quarter Financial Results

Mr. Furnstahl reported that operating income for the first three months of the fiscal year was \$19.7 million, which is \$6 million above budget and 2% above last year. Revenues are down slightly, primarily due to the timing of transfers from the Foundation. The Hospital is above target with a 6% operating margin, while University operations are within a half million dollars of a balanced budget. Patient activity is above last year, but below first quarter budget. Activity reflects a continued shift from inpatient admissions to observation and ambulatory care. Patient revenue is within \$300,000 of the budget primarily due to a higher commercial insurance mix.

Grants and contracts are on budget, flat this year due to sequestration. Net worth is up \$58 million or 2.7% for the first quarter. Operating cash flow is down, but is a typical cyclical pattern with principle debt payments made in July. In addition, there are timing differences on invoices for the CLSB Building and the drawing up of bond funds, and student loan programs that disbursed money to students in September with federal reimbursement in October. OHSU has created 1640 jobs since May 2009.

Mr. Wilhoite commented that trends are favorable even when the significant philanthropic gifts are not included.

Governance Committee Report – Resolution 2013-10-07

Ms. Saathoff discussed the annual Board assessment of each committee on the Board. This is done to ensure responsibilities are met along with statutory obligations. Results indicate a significant benefit from the excellent leadership of its chair, Mr. Wilhoite. The Board knowledge base about OHSU and its mission, strength, and challenges all received excellent ratings. Board members requested additional interaction and information about OHSU. The Board would like more transparency and involvement in leadership succession planning. The survey results indicated a very highly functioning Board that is committed to the success of OHSU. Mr. Wilhoite added that while it is good to hear favorable results, it is helpful to hear areas where improvements can be made. Uncompensated Board members asking for more information and more work is a reflection of their commitment to the organization.

Ms. Saathoff reviewed the Board committee assignments as they are changing with the departure of Mr. Wilhoite and Mr. Hernández. Assignments will be reviewed after the two vacant Board positions have been filled. Mr. Wilhoite said that the committees are set and structured such that they are ready to continue filling their role in the institution. Mr. Wilhoite asked for approval of Resolution 2013-10-07, outlining the committee structure and leadership. Upon motion duly made and seconded, the resolution was unanimously approved.

Re-commissioning Public Safety Officers – Resolution 2013-10-09

Mr. Moawad explained that Senate Bill 658 granted OHSU administration the right to commission officers in 2009. It also gave the officers probable cause arrest authority. Senate Bill 565, effective January 1, 2014, more specifically grants the OHSU Board of Directors the authority to commission officers and restores their enhanced law authority. Currently, Mr. Moawad is not requesting arming capabilities for the officers. A request for that authority will be submitted to the Board sometime in

2014. The resolution for consideration continues the public safety officers' current legal footing. Responding to Ms. Saathoff, Mr. Moawad confirmed that the resolution delegates authority to the university officials; firearms are specifically excluded in this particular resolution. Mr. Wilhoite asked for approval of Resolution 2013-10-09, delegating the authority to commission individuals as police officers to the President, thereby restoring current legal authority to public safety officers. Upon motion duly made and seconded, the resolution was unanimously approved.

Recognition of Román Hernández – Resolution 2013-10-11

Mr. Wilhoite asked for approval of Resolution 2013-10-11, expressing appreciation and recognition for the service of Román Hernández on the Board of Directors, including service as chair of the Human Resources Committee and a member of the Governance Committee. Upon motion duly made and seconded, the resolution was unanimously approved. Dr. Robertson presented Mr. Hernández with a gift and stated that it was a great honor to get to know and serve with Román. They will continue to work together on the Portland Branch of the San Francisco Federal Reserve Board. Mr. Hernández thanked Governor Ted Kulongoski for appointing him to the Board. He said it was a pleasure to work and serve with distinguished Board members and leadership team members, both present and past. OHSU has excelled under Dr. Robertson's leadership. Mr. Hernández stated that the outstanding people of OHSU make the institution unique in its service to the state of Oregon.

Recognition of Charles Wilhoite – Resolution 2013-10-10

Mr. Waldron said that Mr. Wilhoite has been of immeasurable value to OHSU in understanding the world of healthcare finance. During Mr. Wilhoite's tenure on the Board, OHSU increased its budget from \$1.2 billion to \$2 billion annually. Mr. Wilhoite has been a steadying force of knowledge, insight, and intellect as finances have become increasingly more complicated with the Affordable Care Act, Cover Oregon, and Coordinated Care Organizations. In addition, he has been a cultural force, ensuring that OHSU prioritizes and funds efforts to become a place that is diverse in people and ideas. Mr. Wilhoite brought compassion and humor to his work and he will be sorely missed. Dr. Robertson added that his humor, keen insight, calm demeanor, and quiet intensity made Mr. Wilhoite an effective communicator and leader. OHSU will be forever grateful for his service.

Mr. Waldron asked for approval of Resolution 2013-10-11, expressing deep and heartfelt appreciation for the significant contributions of Charles Wilhoite throughout his service on the OHSU Board of Directors. Upon motion duly made and seconded, the resolution was unanimously approved.

Election of Board Officers

Mr. Wilhoite explained that the Board members were surveyed regarding the qualities necessary for Board leadership. The list includes demonstrated effective leadership and a clear grasp of the complexity of the organization. Diversity and inclusion are critical to the institution moving forward; OHSU is a beacon in Portland and across the state so it is important to focus priorities to achieve a diverse and successful institution. Mr. Wilhoite asked for approval to move Mr. Waldron to Board Chair and Maria Pope to Vice Chair. Upon motion duly made and seconded, the resolution was unanimously approved.

Adjournment

Hearing no further business, Mr. Wilhoite adjourned the meeting.

Respectfully submitted,

Connie Seeley Board Secretary



FY14 H1 Financial Report

OHSU Board of Directors January 30, 2014

Overview – FY14 First Half Results

- OHSU operating income through December is \$47.6 million, \$13 million over target and 34% above last year, with strong patient revenues (especially from managed care) and good expense control. Application of gifts lags budget, which is not unusual for early in the year.
- Consolidated net worth is up \$121 million, from operating earnings, stock market returns and a \$25 million gift for pancreatic disease, offset in part by writing off \$9 million of unamortized issuance costs from past bond issues, required by new GASB accounting rules.
- Typically, OHSU cash flow is negative in the first half, before rebounding through June. Through 6 months, OHSU cash & investments are down \$(33) million, reflecting several timing issues:
 - Payment pattern of CLSB capital invoices, compared to draw of project funds
 - Federal student loans disbursed in December and reimbursed in early January
 - Slow down in patient care insurance payments with holidays.
- In December, OHSU provided its annual update to the rating agencies in New York and San Francisco. S&P has affirmed OHSU's A+ rating and changed their outlook from Stable to Positive, signaling the possibility of an upgrade in the rating in the next few years if performance continues to be strong. Moody's and Fitch are expected to issue their rating updates soon.



First Half Operating Income \$13M > Budget

December YTD (6 months)	FY13	FY14	FY14	Actual -	Actual /
(millions)	Actual	Budget	Actual	Budget	Last Year
Net patient revenue	\$747.3	\$800.2	\$811.8	\$11.6	9%
Grants & contracts	176.0	177.1	176.4	(0.7)	0%
Gifts applied to operations	26.5	35.9	29.4	(6.5)	11%
Tuition & fees	27.1	30.0	30.4	0.4	12%
State appropriations	15.1	16.2	17.7	1.5	17%
Other revenue	43.4	47.8	46.2	(1.7)	6%
Operating revenues	1,035.4	1,107.2	1,111.8	4.6	7%
Salaries & benefits	611.3	655.6	654.5	(1.1)	7%
Services & supplies	291.3	314.3	306.4	(7.9)	5%
Medicaid provider tax	25.3	33.6	33.9	0.3	34%
Depreciation	55.8	56.4	57.5	1.1	3%
Interest	16.2	12.6	11.8	(0.8)	-27%
Operating expenses	999.9	1,072.5	1,064.2	(8.3)	6%
Operating income	\$35.5	\$34.7	\$47.6	\$12.9	34%



Cash Dips in First Half for Timing Reasons

(millions)	6/30/13	12/31/13	Change
Operating cash & investments	\$587	\$543	\$(44)
Unrestricted capital funds	\$22	\$26	4
Quasi-endowment funds	83	90	7
OHSU cash & investments	692	659	(33)
Trustee-held bond funds	28	36	9
CLSB project funds	51	22	(29)
Total cash & investments	771	717	(53)
Net physical plant	1,413	1,461	47
Interest in Foundations	765	826	61
Long-term debt	(771)	(754)	16
All other, net	(8)	41	49
OHSU net worth	2,170	2,291	121
	Operating inc	ome	48
	OHSU investr	ment return	15
	Gain from Fo	undations	61
	Other non-op	erating	(2)
	Total change	in net worth	\$121

(millions)	Dec YTD
Operating income Depreciation OHSU investment return CLSB project funds applied	\$48 58 15 29
Soucres of cash	149
Principal repaid Capital spending Capital AP timing Federal student loan timing Patient AR & other, net	(16) (105) (22) (15) (23)
Uses of cash	(182)
Sources less uses of cash	(33)
6/30/13 balance 12/31/13 balance	692 \$659



Activity Shifts to Outpatient with Strong Mix

	FY13	FY14	FY14	Actual /	Actual /
December YTD (6 months)	Actual	Budget	Actual	Budget	Last Year
Inpatient admissions	15,075	15,193	14,625	-4%	-3%
Average length of stay	5.6	5.5	5.7	3%	2%
Average daily census	441	450	442	-2%	0%
Day/observation patients	15,731	16,100	16,929	5%	8%
Emergency visits	23,445	22,688	22,636	0%	-3%
Ambulatory visits	376,850	400,437	385,983	-4%	2%
Surgical cases	15,144	15,492	15,459	0%	2%
Casemix index	1.96	1.96	1.96	0%	0%
Outpatient share of activity	42.9%	44.0%	44.7%	2%	4%
CMI/OP adjusted admissions	51,784	53,160	51,841	-2%	0%
Payer mix (% of charges):					
Commercial	43.8%	42.7%	43.9%	1.2%	0.1%
Medicare	31.6%	32.4%	31.2%	-1.2%	-0.4%
Medicaid	19.8%	20.0%	19.8%	-0.2%	0.0%
Non-sponsored	4.8%	4.9%	5.1%	0.2%	0.3%
Total	100.0%	100.0%	100.0%	0.0%	0.0%



1,800+ Jobs Created Since Financial Crisis



New Accounting for Public Pensions

- New accounting statements (GASB 67 and 68) require changes to reporting for defined-benefit, government employer pension plans, beginning next fiscal year. The new standards do not affect the level of pension contributions, but only financial reporting.
- In summary, public employers that participate in a defined benefit plan must now report their "Net Pension Liability" on the balance sheet.
- In addition, plan asset values will no longer be smoothed over time, but instead reported at fair value (market), and changes in benefits will be recognized in pension expense immediately.
- Financial disclosures will be much more extensive, including key funding ratios, a history of actual contributions made, and sources of changes to overall funded position over time.
- Currently, most public plans have investment return assumptions in the 7 8% range. GASB will allow continued use of these rates for discounting, for as long as plan assets are expected to cover liabilities. After that point, plans must use a high-grade municipal bond rate, which is typically in the 4 - 5% range.
- For OHSU, the new GASB standards will require booking the University's share of the PERS unfunded liability in FY15. About half of OHSU's employees are in PERS and half in our own defined-contribution University Pension Plan, but nearly all new OHSU employees are now choosing UPP.



PERS Impact on OHSU's Balance Sheet

- Through 2007, OHSU participated in PERS as an "independent employer" with \$805 million of assets and \$554 million of actuarial liability as of 12/31/07, for a pension surplus of \$251 million.
- Since 2008, OHSU has participated in PERS as part of the "State & Local Government Rate Pool", which has more stable contribution rates, and gets a credit for the remainder of the 2007 surplus.
- For example, as of 12/31/11, OHSU's allocated share of SLGRP was a unfunded liability of \$(647) million, reduced by an OHSU surplus credit of \$237 million, for a net liability of \$410 million, which under pre-GASB 67 & 68 accounting was <u>not</u> booked on the OHSU balance sheet.
- PERS has just calculated our net liability for 12/31/12, incorporating the recent changes to PERS benefits passed by the Legislature, which among other things substantially reduce future cost of living increases, especially for annual pensions above \$60,000.
- This reduces OHSU's net liability to \$186 million, against which we have already deposited \$7.5 million of "collared" contributions to an OHSU-specific PERS side account. This to-be-booked net liability is currently about 7.8% of total net worth.
- In total, PERS has liabilities of \$60.4 billion and assets of \$49.3 billion, for an unfunded accrued liability of \$11.1 billion and 82% funded status at 12/31/12. Thus OHSU represents about 1.7% of the PERS net pension liability, before side accounts.
- Not included in this amount is the impact of 2013's investment returns that were double the expected rate, which if they hold should reduce the net liability significantly.



OHSU's Unfunded PERS Liability < \$180M



Oregon Managing PERS DB Pension Costs





OHSU Department of Psychiatry George A. Keepers, M.D. Chair

Vision & Goals

• ...seeks to prevent psychiatric illness, provide the most effective and humane treatments, recruit the best students to our educational programs, train outstanding psychiatrists and psychologists, educate other physicians and clinicians in mental health treatment, and expand the neuroscientific basis of our specialty.





Overview

- 300 Employees
- 120 Faculty (Psychiatrists, Psychologists, Nurse practitioners, Neuroscientists)
- Psychiatry Residency Programs (General, Child, Geriatric, Addiction, Psychosomatic, and Forensic Psychiatry)
- Psychology Internship and Fellowship programs
- Post-doctoral Fellows
- Research programs/labs at OHSU/VAMC



Clinical Programs of Interest

- 20 Bed Inpatient Unit/Consultation Service
- Ambulatory Clinic
- Child Psychiatry Clinic/Consultation Service
- Public & Community Psychiatry
- Inter-cultural Psychiatry Program & Torture
 Treatment Center.
- Avel Gordly Center
- Tele-psychiatry consultation to multiple sites









Research Programs

- ADHD
- Autism



- Adolescent Neurodevelopment
- Addictions (MARC)
- Sleep & Circadian Rhythm
- PTSD
- Health Services Delivery
- Suicide Prevention



Neuroscience Resources



- OHSU is one of the top 5 in neuroscience research
- OHSU Brain Institute
- Department of Behavioral Neuroscience
- Advance Imaging Research Center
- Comprehensive Core Research Facilities
- Primate Center



Exhibit A

Oregon Health & Science University

Vision 2020 v. 2013

OHSU Strategic Plan 2013–2017

Presented to the OHSU Board of Directors January 2014



Strategic Planning at OHSU

Vision 2020, OHSU's strategic plan, was developed in 2007 to provide a dynamic, adaptable roadmap for all mission areas. As an evolving anchor plan, *Vision 2020* serves as the bedrock for all other organizational plans. Its strategies guide ongoing planning and quality improvement throughout all of OHSU's units.

The 2012-13 revision of *OHSU Vision 2020* sought to simplify the plan to ensure that each strategy can be implemented in all OHSU mission areas and units, and that all strategies are measureable and outcome metrics can be applied, to build on identified institutional strengths, and to meet all stakeholders and the community's needs. Unlike earlier versions of *Vision 2020*, the revised plan includes only the six goals and three to five strategies to fulfill each of the goals. Tactics are purposely not included in the revision to allow each unit to develop its own area-specific tactics to implement the plan's goals and strategies. The six 2007 Vision 2020 goals remain essentially the same, with some revising for greater clarity and inclusion. Following are the six goals of *OHSU Vision 2020 v. 2013*:

- 1. Be a great organization, diverse in people and ideas.
- Develop and retain a faculty that will collaborate to drive excellence and innovation across OHSU.
- 3. Join others in developing policy and care delivery solutions that improve access to high-quality health care for all, especially Oregonians.
- 4. Help meet Oregon's health and science workforce needs through innovative education strategies.
- 5. Align OHSU enterprises to support robust and sustainable innovation and research.
- 6. Generate and deploy OHSU resources to sustain an environment where faculty and staff committed to top performance can excel.

The spirit of these goals, which coincide with our institutional vision and mission, are fundamentally unchanged. The environment in which we plan, however, has changed dramatically. National and statewide health care reform alters the ways care is delivered. Interprofessional education supports a new model of patient-centered, team-based care. An increasing global landscape provides opportunities and incentives for OHSU to collaborate and develop new partnerships that enhance research, knowledge, value and resources. Biomedical research is driven by increasing expertise and advanced technology.

Many of the strategies and tactics of OHSU Vision 2020, version 2009 have been implemented. The revised Vision 2020 addresses current and anticipates future opportunities, including the changing health care environment, new and disruptive technologies, globalization, changing workforce dynamics and needs, expansion and partnerships, economic uncertainty, educational transformation, and new models of care delivery—just to name a few.

Vision 2020, version 2013 provides a planning framework to align mission areas at the highest level, to support focused planning, and to drive our institutional commitment to continuous quality improvement across OHSU's health care, research, education and service missions.

OHSU Vision 2020 Goal 1: "Be a great organization, diverse in people and ideas."

Goal 1 Strategies:

- 1.1 Cultivate a climate of inclusion and respect for every individual in the OHSU community.
- 1.2 Foster a culturally proficient, inclusive and diverse workforce.
- 1.3 Engage all members of the OHSU community in the continuous improvement of the health care, education, research, and service missions.
- 1.4 Expand OHSU's global impact.

OHSU Vision 2020 Goal 2: "Develop and retain a faculty that collaborates to drive excellence and innovation across OHSU."

Goal 2 Strategies:

- 2.1 Retain and recruit and a faculty that is nationally and internationally recognized for excellence and innovation in teaching, research, health care and community service.
- 2.2 Drive interprofessional collaboration and innovation across all missions.
- 2.3 Develop and sustain a culture and infrastructure that is conducive to intellectual curiosity and collaboration.
- 2.4 Incentivize faculty to collaborate within and across missions in transformative endeavors.
- 2.5 Encourage faculty engagement in local and global partnerships that advance OHSU's opportunities, drive innovation, and increase resources.
- 2.6 Develop and reward faculty who lead interprofessional education and collaboration within and across missions.

OHSU Vision 2020 Goal 3: "Join others in developing policy and care delivery solutions that improve access to high-quality health care for all, especially Oregonians."

Goal 3 Strategies:

- 3.1 Partner with others to develop policies that advance the Triple Aim (improved health outcomes, better patient experience, and lower cost).
- 3.2 Improve population health through strategic partnerships.
- 3.3 Participate in sustainable efforts to improve access to quality care.
- 3.4 Prepare a health care workforce to advocate for policies that support health promotion and scientific innovation.
- 3.5 Promote and improve the prevention and early detection of disease.

OHSU Vision 2020 Goal 4 (reworded): "Help meet Oregon's health and science workforce needs through innovative education strategies."

Goal 4 Strategies:

- 4.1 Cultivate and sustain innovative education and learning environments.
- 4.2 Educate a clinical and scientific workforce that creates new knowledge and address the health of populations in an interprofessional environment.
- 4.3 Promote learning and continuous quality improvement in teaching.
- 4.4 Reduce financial barriers to increase educational access for diverse students and graduates who will work in areas with the greatest health care needs.

OHSU Vision 2020 Goal 5 (reworded): "Align OHSU enterprises to support robust and sustainable innovation and research."

Goal 5 Strategies:

- 5.1 Invest in expertise and advanced technology to support the research mission.
- 5.2 Develop and support faculty productivity and research funding success.
- 5.3 Ensure the excellence of research programs through regular external expert evaluation.
- 5.4 Develop new pathways to communicate the needs and value of the full spectrum of the research community.
- 5.5 Develop and support programs to ensure discoveries are rapidly translated to advance human health and well-being.

OHSU Vision 2020 Goal 6 (reworded): "Generate and deploy OHSU resources to sustain an environment where faculty and staff committed to top performance can excel."

Goal 6 Strategies:

- 6.1 Diversify revenue streams to build sustainability while continuing to compete effectively for federal, state and local dollars.
- 6.2 Invest transparently in opportunities to improve quality, maximize resources, enhance efficiency and eliminate redundancy across missions.
- 6.3 Aggressively manage the growth of complex care while developing new capacities to manage the health of populations within global budgets.
- 6.4 Implement an explicit funding model to support the uncovered cost of competitive scientific research and highly productive scientists.
- 6.5 Drive toward top quartile performance in all missions, while driving toward lower cost and increased effectiveness of administrative and operational services (overhead).

OHSU Vision 2020 Revision Process and Participants/2013

Revision of OHSU Vision 2020, led by OHSU Provost and Executive Vice President for Academic Affairs, Jeanette Mladenovic, was accomplished through work groups of President's Council members. As appropriate, input from other members of the OHSU community was sought. The draft of the revised Vision 2020 was then widely distributed for input and comments throughout the units and mission areas represented on President's Council. Following are the strategy revision work group members:

Goal 1: "Be a great organization, diverse in people and ideas."

Goal 1 Work Group

- 1. Jennifer Boyd, PhD, MBA, Assistant Vice-provost for Strategic Planning & Program Development
- 2. Gary Chiodo, DMD, FACD, Interim Dean, OHSU School of Dentistry
- 3. Charles Roberts, PhD, Associate Director, Oregon National Primate Research Center
- 4. Brian Rogers, MD, Director, OHSU Child Development & Rehabilitation Center
- 5. Chris Tanner, RN, PhD, FAAN, Interim Dean, OHSU School of Nursing

Goal 2: "Develop and retain a faculty that will collaborate to drive excellence and innovation across OHSU."

Goal 2 Work Group

- 1. Antonio Baptista, PhD, Director, Center for Coastal Margin Observation & Prediction; Director, Institute of Environmental Health
- 2. Jennifer Boyd, PhD, MBA, Assistant Vice-provost for Strategic Planning & Program Development
- 3. Norman Cohen, MD, President OHSU Faculty Senate
- 4. David Morton, PhD,
- 5. Steven Shea, PhD, Director, Center for Research on Occupational & Environmental Toxicology (CROET)

Goal 3: "Join others in developing policy and care delivery solutions that improve access to high-quality health care for all, especially Oregonians."

Goal 3 Work Group

- 1. Jennifer Boyd, PhD, MBA, Assistant Vice-provost for Strategic Planning & Program Development
- 2. Gary Chiodo, DMD, FACD, Interim Dean, OHSU School of Dentistry
- 3. Tom Heckler, MBA, SOM Senior Associate Dean, Clinical Practice
- 4. Chris Tanner, RN, PhD, FAAN, Interim Dean, OHSU School of Nursing

Goal 4: "Help meet Oregon's health and science workforce needs through innovative education strategies."

Goal 4 Work Group

- 1. Jennifer Boyd, PhD, MBA, Assistant Vice-provost for Strategic Planning & Program Development
- 2. Gary Chiodo, DMD, FACD, Interim Dean, OHSU School of Dentistry
- 3. Mark Zarbriskie, PhD, Dean, OHSU-OSU School of Pharmacy
- 4. Norwood Knight-Richardson, MD, MBA, OHSU Vice President & Chief Diversity Officer
- 5. David Robinson, PhD, Executive Vice Provost
- 6. Phyllis Beemsterboer, MS, EdD, SOD Associate Dean for Academic Affairs

Goal 5: "Align OHSU enterprises to support robust and sustainable innovation and research." <u>Goal 5 Work Group</u>

- 1. Jennifer Boyd, PhD, MBA, Assistant Vice-provost for Strategic Planning & Program Development
- 2. Dick Goodman, MD, PhD, Director, Vollum Institute
- 3. Nancy Haigwood, PhD, Director Oregon National Primate Research Center
- 4. David Morton, PhD
- 5. Eric Orwoll, MD, Director, Oregon Clinical and Translational Research Institute
- 6. David Robinson, PhD, Executive Vice Provost
- 7. Mary Stenzel-Poore, PhD, SOM Senior Associate Dean for Research

Goal 6: "Generate and deploy OHSU resources to sustain an environment where faculty and staff committed to top performance can excel."

Goal 6 Work Group

- 1. Antonio Baptista, PhD, Director, Center for Coastal Margin Observation & Prediction; Director, Institute of Environmental Health
- 2. Jennifer Boyd, PhD, MBA, Assistant Vice-provost for Strategic Planning & Program Development
- 3. Lawrence Furnstahl, OHSU Chief Financial Officer
- 4. Cindy Grueber, MHSA, Senior Vice President & Chief Operating Officer, OHSU Healthcare
- 5. Emily McElroy, MLIS, President OHSU Faculty Senate
- 6. Steven Shea, PhD, Director, Center for Research on Occupational & Environmental Toxicology (CROET)



RESOLUTION 2014- 01-01 OREGON HEALTH & SCIENCE UNIVERSITY BOARD OF DIRECTORS

WHEREAS, the Board of Directors adopted the Oregon Health & Science University Vision 2020 v.09 ("Vision 2020") by Resolution 2008-11-15;

WHEREAS, since the adoption of Vision 2020, the University has developed proposed updates and further refinements of the Strategies and Tactics included within Vision 2020 considering progress made to date, the changing environment in which the University operates, and evolving University needs and priorities;

WHEREAS, the proposed updates and refinements are included in Vision 2020 v.13, attached as <u>Exhibit A</u>; and

WHEREAS, the Board believes that adoption of Vision 2020, v.13, as the University's Strategic Plan is in the University's best interests.

NOW, THEREFORE, BE IT RESOLVED:

That the Board of Directors hereby adopts Vision 2020, v.13, as the Strategic Plan for the University.

This Resolution is adopted this 30th day of January, 2014.

Yeas ____ Nays

Signed by the Secretary of the Board on January 30, 2014.

Connie Seeley Board Secretary

Facilities Plan / Knight Cancer Institute

OHSU Board of Directors January 30, 2014





CHH II Proposed Program

Ambulatory Hospital:

- Ambulatory Surgery (10 operating rooms)
- Endoscopy (8 procedure rooms)
- Interventional Radiology (6 procedure rooms)
- 48-bed short stay unit
- Surgery Support & Sterile Processing
- Pathology, Lab, Blood Bank, Physician Work & Call Rooms

Knight Clinics:

- Knight Cardiovascular Clinics
- Knight Cancer Clinics and Infusion

Knight Cancer Clinical Trials (top two and a half floors)

Block 28 Parking Garage:

- 513-Space Parking Garage
- Conference Center (relocated from CHH I)
- District Utility Plant (only phase one built-out)
- 80-Room Guest House

CHH II Program Stacking

		СНН ІІ	
L15	1		
L14	{		
L13		MECHANICAL	L13
L12		KNIGHT CANCER CLINICAL TRIALS	L12
L11		KNIGHT CANCER CLINICAL TRIALS	L11
L10		KNIGHT CANCER CLINICAL TRIALS INFUSION PHARMACY	L10
L9		KNIGHT CANCER INFUSION	L9
L8		KNIGHT CANCER CLINIC	L8
L7		KNIGHT CARDIOVASCULAR CLINIC	L7
L6		SHORT STAY UNIT	L6
L5		SHORT STAY UNIT	L5
L4	PATIENT SKYBRIDGE	AMBULATORY SURGERY, PRE-OP, PACU	L4
L3	PATIENT SKYBRIDGE	SURGERY ADMIN/SUPPORT, STERILE PROC., PATHOLOGY, LAB	L3
L2		ENDOSCOPY, INTERVENTIONAL RADIOLOGY, PACU	L2
L1	SW WHITAKER	BLDG LOBBY, CAFE, FOOD AND NUTRITION	L1 SW C
P1		EXISTING PARKING	P1
P2		EXISTING PARKING	P2
P3		EXISTING PARKING	P3

Block 28 Program Stacking



CHH II & Block 28 Garage/Guest House



CHH II Rendering





Draft Knight Cancer Research Program:

- Knight Cancer Research Labs (four floors built-out & one shelled)
- Knight Cancer BioComputing (one floor built-out & one shelled)
- Research support connected to CLSB with tunnel (already built)
- 266-space parking garage
- Retail Space and Building Support

SCB III Program Stacking



SCB III Rendering



Preliminary Project Budget

OHSU Healthcare Program	Gross Square Footage	Total Project Cost
CHH II Building	300,200	\$210,380,094
Parking Garage and CUP	227,726	\$61,315,211
Guest House	72,050	\$28,594,046
Subtotal	599,976	\$300,289,351
Knight Cancer Research Program		
Schnitzer Campus Building III	215,800	\$134,859,460
Parking Garage	93,300	\$23,418,240
Clinical Trials Space (in CHH II Bldg)	95,554	\$40,116,800
Subtotal	404,654	\$198,394,500

Total	1,004,630 GSF	\$498,683,851

March 2014 – July 2014: August 2014 – October 2014: November 2014 – October 2015: November 2015 – February 2016: March 2016: April 2018: July 1, 2018: Programming GC/A&E Team Selection Design Development/CDs Permitting Commence Construction Substantial Completion Occupancy

The State of Oregon, OHSU and the Knight Cancer Institute: Changing the Face of Cancer Together



"We want to cure more people. We want to end cancer as we know it. And we won't give up until we've done that."

- Brian Druker, M.D., Director, OHSU Knight Cancer Institute

Oregon's Next Big Opportunity Is Here

With powerful visions, big ideas and the proven ability to deliver, we will end cancer as we know it. OHSU is requesting \$200 million in capital construction funding from the state for the facilities necessary to conduct transformational cancer research funded with \$1 billion in private philanthropy. With this \$1.2 billion privatepublic partnership, we will transform OHSU by accessing resources and expertise that will enable us to make a meaningful and permanent impact on the lives of cancer patients everywhere. In the process, OHSU and Oregon will accelerate its ascent as one of the pre-eminent centers for cancer research in the country, bringing increased intellectual capital and visibility to the state.

Improving the Health of Oregonians

This \$1.2 billion total investment will revolutionize cancer treatment by building upon the OHSU Knight Cancer Institute's pioneering work in personalized medicine to develop next generation tests and technologies for early detection. The institute will continue to share this expertise through its existing clinical, research and other collaborations with communities statewide, such as Astoria, Salem, Roseburg, Corvallis, Medford, Coos Bay, Bend and The Dalles. Finally the institute will make significant new investments in statewide cancer outreach by creating the Oregon Knight Cancer Community Partnership Initiative. The Knight



Cancer CPI will support community-based cancer outreach programs. By collaborating with communities across the state through a community participatory RFP process, this program will fund new prevention, education, research and screening initiatives focusing on rural and underserved populations.

Creating a Cancer-Curing Economy

The statewide impact of this public-private partnership is significant, supporting increased traded sector activity, hundreds of permanent family-wage jobs and thousands more jobs during construction. This investment will also create a new center for economic activity in biomedical research and technology, resulting in immediate jobs and long-term industry growth. With the state's investment in infrastructure and private philanthropy, this effort will create an estimated:

- 380 permanent full-time jobs
- Annual salaries ranging from \$25,000 to more than \$100,000
- 6,800 construction jobs in two years
 - Nearly 3,600 construction jobs annually during life of construction
- \$35 million in state and local taxes annually during life of construction
- \$5.6 million in state income taxes annually when operational

OHSU and the State of Oregon – Building on Success Together

The State of Oregon has been a partner, supporting OHSU campus infrastructure to meet the educational goals and health care needs of Oregonians by ensuring the viability of Oregon's only public academic health center and the only cancer center designated by the National Cancer Institute between Sacramento and Seattle. Most recently, the state partnered with OHSU, other state universities and private partners to build the Collaborative Life Sciences Building (CLSB), which will transform the way health care providers are educated in Oregon, while fostering research, new employment opportunities and economic activity. Just as with the CLSB, a partnership with the Knight Cancer Institute will create unprecedented opportunity by building a world-class research hub in Oregon.



The Plan to End Cancer as We Know It



Oregon Has Done It Before – Oregon Can Do It Again

Oregon is leading the world in transforming cancer treatment. Nearly 20 years ago, Dr. Brian Druker left Harvard University to join OHSU to prove it was possible to develop treatments that target just the malfunctioning parts of cells that cause an individual's cancer to grow. The drug that resulted from that work, Gleevec®, changed the way the world treats cancer. Since Gleevec was approved by the FDA in 2001, hundreds of new therapies have been developed using the same approach. We can again lead with this investment and take cancer care to the next level by equipping the world's top minds in cancer research with the resources necessary to discover what drives the growth of different cancers so we can detect it early when it is most treatable.

The \$1.2 Billion Plan

The OHSU Knight Cancer Institute has a bold vision and a plan for transforming how cancer is treated and detected. The research builds upon pioneering work underway at OHSU. But with this unprecedented investment, we can accelerate that work and begin saving lives sooner, improving the lives of Oregonians and cancer patients around the world. A \$1.2 billion investment means we can take the plan and turn it into action. It means:

• Build the team: We will recruit the best and brightest researchers from around the world and dedicate their expertise to this effort – those who have the ideas and just need the support to accelerate discovery.

- Focus on research: Instead of spending time on grantwriting, researchers will collaborate in the lab to seek faster and smarter ways to detect and treat cancer before it is fatal.
- Provide the tools: We will provide the equipment, shared research resources and computational capabilities that will lead us to clues about how cancers gain a foothold in the body and help us develop more cures.
- Build the pipeline: We will partner with other Oregon public universities to support Ph.D. and Master's degree programs that will train young scientists in emerging fields of bioinformatics and life sciences.
- Share the knowledge: We will make significant new investments through the new Knight Cancer Community Partnership Initiative funding outreach initiatives developed in partnership with communities around the state to share knowledge and best practices in cancer care, research and other areas.

Infrastructure for Research, Treatment, Learning, Discovery

OHSU is seeking \$200 million in capital construction funding from the state to support additional research and clinical trials space in two new buildings. Similar to other publicly supported educational infrastructure projects, these new facilities will house a combination of operations including OHSU scientific and clinical research as well as space for patient care. These facilities will house about 380 new researchers and staff, including:

- Wet-lab space for biomedical research
- Biocomputing infrastructure to accelerate discovery and to train the next generation of scientists
- Clinical trials space to ultimately improve health-care options for all Oregonians

Oregon has been the visionary leader before and we can do it again, transforming lives, our economy and helping patients around the world.





The State of Oregon, OHSU and the Knight Cancer Institute: Working Together to End Cancer as We Know It

Oregon's Next Big Opportunity

- A \$1.2 billion public-private investment means The OHSU Knight Cancer Institute can take a bold vision and plan for transforming cancer detection and treatment and turn it into action.
- The research builds upon pioneering work underway at OHSU but with this unprecedented investment, we can accelerate that work and begin saving lives sooner.
- In the process, OHSU and Oregon will accelerate its ascent as one of the pre-eminent centers for cancer research in the country, bringing increased intellectual capital, visibility and opportunities for economic growth to the state.

Creating a Cancer-Curing Economy

- Beyond transformational health care discoveries, this public-private partnership can also help change the face of Oregon's economy.
- It will create new, sustaining traded-sector activity and a new center for economic activity in biomedical research and technology, resulting in immediate jobs and long-term industry growth.
- With the state's investment in infrastructure and private philanthropy, this effort will create an estimated:
- ✓ 380 permanent full-time jobs Annual salaries ranging from \$25,000 to more than \$100,000.
- ✓ 6,800 construction jobs over two years Approximately 3,600 construction jobs annually during life of construction.
- ✓ \$35 million in state & local taxes during life of construction \$21 million in state income tax; \$14 million in local property taxes.
- \$5.6 million in state & local taxes annually when fully operational \$3.4 million in state income taxes; \$2.2 million in local property taxes.

Improving Health Care Access Statewide

- The Knight Cancer Institute has existing partnerships across Oregon working to improve patient care in communities such as Astoria, Salem, Roseburg, Corvallis, Medford, Coos Bay, Bend and The Dalles.
- This investment does not only benefit Portland but will strengthen these partnerships and patient access to care for Oregonians in every region of the state including personalized medicine, the next generation of tests and technologies for early detection and new clinical trials.
- This new initiative could also increase collaboration with local communities in the areas of cancer prevention, screening, community-based research and other programs developed by community partners.

State of Oregon & OHSU – Building on Success

- OHSU is requesting \$200 million in capital construction funding from the state for the facilities necessary to conduct transformational cancer research funded with \$1 billion in private philanthropy.
- The State of Oregon has been a partner in supporting OHSU campus infrastructure to meet the educational goals and health care needs and with this unprecedented opportunity can do so again supporting research, treatment, learning and discovery.
- Specifically the \$200 million in bonding would support the development of facilities that house approximately 380 new researchers and staff, including:
 - ✓ Lab space for biomedical research
- Biocomputing infrastructure to accelerate discovery and to train the next generation of scientists
- ✔ Clinical trials space to ultimately improve health-care options for all Oregonians





An investment of this magnitude in biomedical research and technology will serve as a catalyst for economic activity in the form of immediate jobs, as well as long-term industry growth.

Oregon Economic Impact of \$1.2 Billion Investment in OHSU Knight Cancer Institute

Preliminary analysis estimates that a \$1.2 billion capital and operations investment in the OHSU Knight Cancer Institute will generate:

Two-Year Impact during Construction Phase

\$892 million in total economic output - (direct, indirect, and induced value of goods and services produced), including \$393 million in personal income

6,835 jobs - (FTE for one year) supported directly, indirectly, and induced, including 3,605 directly created jobs

\$35.3 million in tax revenue - \$21.3 million in state income tax and \$14 million local property tax)

Ongoing Annual Impact once Fully Operational

\$134 million in total economic output - (direct, indirect, and induced value of goods and services produced), including \$62.1 million in personal income

860 total jobs - supported directly, indirectly, and induced, including 384 new direct Knight Cancer Institute employees

\$5.6 million in tax revenue - (\$3.4 million state income tax and \$2.2 million local property tax)



DATE:12/20/13TO:Connie Seeley and Brian ShipleyFROM:Michael Wilkerson, Carsten Jensen, and John TapognaSUBJECT: THE KNIGHT CANCER INSTITUTE ECONOMIC IMPACTS

1. Background

OHSU requested that ECONorthwest estimate the economic impacts associated with capital construction of two buildings and the proposed expansion of operations at the Knight Cancer Center. This technical memorandum summarizes OHSU's broad role in the regional economy and then turns to the specific economic impact findings of the proposed expansion. These findings are preliminary and were based on construction and operational assumptions as of December 20, 2013.

2. The Role of OHSU in the Regional Economy

OHSU plays at two roles in the Oregon regional economy. It's a major local sector provider of healthcare services to regional residents. Simultaneously, OHSU is traded sector actor that provides medical services and research to people outside the region and the country. Patients travel to Portland for more sophisticated procedures and medical expertise than are available in smaller cities and towns. Though tele-medicine programs OHSU extends service provision through partner hospitals. Finally, OHSU researchers attract federal and private dollars to advance medical practice.

OHSU's local sector role will increase with a growing and aging population. But, federaland state-level reforms seek to slow the rate of growth and improve value. OHSU is collaborating with healthcare professionals, insurers, and other hospitals to implement collaborative, evidence-based treatment practices.

While a slower rate of growth in its local sector role is a goal, the regional economy benefits if OHSU expands its traded sector activity. Attracting more patients from outside the region by boosting relative quality is one way to expand. Another way to enhance OHSU's traded sector role is by strengthening the institution's research capacity and attracting more federal and private investment.

Expanding the healthcare activity—whether local or traded sector – is likely to encourage other employers in a metropolitan area to pay higher wages. Healthcare pays higher-than-average wages regardless of workers' skills and demographic characteristics. Expanding healthcare is likely to raise wages throughout a metropolitan area by putting upward pressure on wages throughout the metropolitan labor market.

3. Economic Impacts of Proposed Capital and Operational Expansions

ECONorthwest estimated the gross economic impacts associated with the construction of two buildings and a proposed expansion of research and clinical trial activity associated with the Knight Cancer Institute. The impacts are associated with construction and financial assumptions provided to ECONorthwest on December 20, 2013.

Economists have developed several approaches for measuring the economic impacts of companies—that is, their contributions to the communities in which they operate. The most common method estimates the economic impacts associated with a company's spending on payroll, non-payroll goods and services, capital investments, charitable contributions, and taxes. This method is often referred to as the "expenditure approach."

The expenditure approach is typically conducted within an input-output modeling framework. Input-output models provide a comprehensive picture of the economic activities in a given area using mathematical relationships that describe the flow of resources and commodities between local and non-local industries, households, and the final users of goods and services. This input-output analysis is conducted using a software program called IMPLAN.

The Knight Cancer Institute's economic impacts are measured primarily at the state level, this allows for the capture of any spillover effects from where direct spending and employment occur¹

The Knight Cancer Institute's economic impacts can be measured in several ways. This report focuses on three of the most common measures:

- **Output** represents the value of goods and services produced. This is the largest, most encompassing measure of economic activity and includes personal income (discussed below).
- **Personal income** consists of total payroll costs (including bonuses and benefits) paid to workers, as well as self-employment income earned by individuals.
- **Jobs** represent the number of people working full- or part-time jobs.

Economic impact analysis employs specific terminology to identify different types of economic impacts. *Direct* impacts are those associated with payroll and employment at the Knight Cancer Institute. They also include the direct output of the Knight Cancer Institute activities in Oregon, which is estimated using labor and non-labor operating expenses.

¹ Economic impact models were built using IMPLAN 2011 data.

IMPLAN estimates *indirect* impacts using data on the Knight Cancer Institute's purchase of goods and services from other Oregon-based businesses. These businesses, in turn, purchase a wide array of intermediate goods and services that they need to operate. Because these purchases represent interactions among businesses, indirect effects are often referred to as "supply-chain" impacts. The resulting direct and indirect increases in employment and income enhance overall economic purchasing power, thereby *inducing* further consumption and investment-driven stimulus. These induced effects are often referred to as "consumption-driven" impacts.

3.1 Construction and Equipment Impacts

Table 1 lists the economic impacts from construction and equipment purchases associated with the Knight Cancer Institute. These impacts are the sum of the entire construction period over two years—they should be divided in half in order to measure the annual impacts.

	Statewide
Output	
Direct	\$474,283,592
Indirect	159,553,711
Induced	258,102,240
Total	\$891,939,543
Labor Income	
Direct	\$247,708,733
Indirect	57,693,265
Induced	87,911,382
Total	\$393,313,380
Job Years	
Direct	3,605
Indirect	1,068
Induced	2,162
Total	6,835

Table 1. Construction and Equipment Impacts (Total over 2 years), 2011\$

Source: IMPLAN 2011 Data, ECONorthwest, OHSU

The total economic impacts for the State of Oregon are estimated to be about \$446 million a year for each year of construction. There are 3,418 jobs supported by the construction of the new facilities for the Knight Cancer Institute for each year of construction in the State of Oregon. The jobs multiplier for construction and equipment purchases is 1.9 in the State of Oregon — indicating that for every 10 jobs directly added, an additional 9 jobs are added though indirect and induced impacts for each year of construction.

3.2 **Operations Impacts**

Table 2 lists the economic impacts for one year of stabilized operations for the Knight Cancer Institute. The financial projections provided by OHSU indicated a staffing up period, during which the economic impacts are not measured. Economic impacts from operations are only calculated for the period once hiring has been stabilized.

	Statewide
Output	
Direct	\$75,815,446
Indirect	17,839,766
Induced	40,307,034
Total	\$133,962,246
Labor Income	
Direct	\$42,718,460
Indirect	6,039,533
Induced	13,355,595
Total	\$62,113,587
Jobs	
Direct	384
Indirect	129
Induced	347
Total	860
Source: IMPLAN 2011 Dat	ta ECONorthwest OHSU

Table 2. Operating Impacts (Annual	for Stabilized Operations),	2011\$
Statowida	_	

1 Data, ECONorthwest, OH

The total economic impacts for once year of operations for the Knight Cancer Institute are approximately \$134 million for the State of Oregon. For one year of stabilized operations, there are approximately 860 jobs supported statewide by the Knight Cancer Institute. The jobs multiplier associated with operations in the State of Oregon is 2.24-indicating that for every direct job there are an additional 1.24 jobs supported through indirect and induced impacts.





Source: ECONorthwest, OHSU

Figure 1 illustrates the breakdown of base salaries for staff that are projected to be hired by the Knight Cancer Institute. Approximately 384 FTE staff are expected to be hired once operations have stabilized. Of the 384 total staff, 129 will make between \$25,000 and \$50,000, 102 will earn between \$50,000 and \$75,000, and the remaining 151 will make more than \$75,000. The distribution of salaries is important due to the emergence of the "hollowing out" effect in

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wage distribution. The recent trend in job growth has been at high and low income levels, in essence hollowing out the middle-income range. The projected job growth at OHSU will add approximately 60% of the jobs in the middle-income range, helping to reduce the imbalance of wage distribution.

4. Fiscal Impacts

Table 3 displays the fiscal impacts generated from the construction and operation of the Knight Cancer Institute. Property and income taxes were calculated using the average percent of personal income, based on the relevant geographic area where the income is earned. Income taxes represent state income taxes only and do not factor any federal taxation. The construction impacts are over the two-year construction period, so they need to be divided in half in order to represent annual impacts. The operations impacts are representative of one year of stabilized operations.

		Statewide
Construction		
	Property Tax	13,987,285
	Income Tax	21,356,145
	Total	35,343,430
Operations		
	Property Tax	2,225,183
	Income Tax	3,391,971
	Total	5,617,154

 Table 3. Fiscal Impacts from Construction and Operations, 2011\$

Source: IMPLAN 2011 Data, ECONorthwest, OHSU, Oregon Department of Revenue, Census Bureau

The fiscal impacts for one year of construction are \$17.7 million statewide—\$7 million from property taxes and \$10.7 million from income taxes. For each year of operations, the estimated property and income tax generated in the State of Oregon is \$5.6 million—\$2.2 Million from property taxes and \$3.4 million from income taxes.

We Started the Revolution in Cancer Treatments. Now It's Time to Finish the Job.

Nearly 20 years ago most of the cancer research community doubted the possibility that targeting cancer cells without harming normal cells would work. But, Dr. Brian Druker at the Knight Cancer Institute believed that an understanding of what drove the growth of cancer would allow cancers to be specifically targeted. This belief led to his work on the life-saving drug, Gleevec[®], that took a cancer with a life expectancy of less than five years and turned it into a manageable disease providing patients with a normal life span. *Time* magazine heralded this breakthrough drug with a cover story, and other national media recognized this great leap forward, forever establishing the Knight Cancer Institute as a leading innovator in targeted cancer therapy.

In the past decade, most other major cancer centers have joined us in the field we pioneered. Today there are more than 50 targeted therapy treatments and hundreds more in development because of Dr. Druker's groundbreaking work. But, we recognize that the next step into the future goes beyond cancer drugs alone.

The new knowledge that has revolutionized treatment, has done little to help catch cancer early and ideally, prevent it. Even as treatment options have dramatically improved, with once-a-day pills that target the specific biology of each patient's disease, early detection of cancer has been frozen in time. Today, we still use the same screening tools that we've deployed for decades. Mammograms and PSA tests for prostate cancer are the best we have today, but they're woefully inadequate. They miss some cancers while triggering many unnecessary biopsies and treatments.

We know cancer is an easier foe when caught early. It is cheaper to treat. And patients live longer and suffer less when it is detected early. Indeed, targeted therapy and early detection will prove to be inextricably linked. Early stage cancers are easier to treat because they harbor fewer mutations and molecular defects. Gleevec is most effective against the early stages of leukemia and so it will be with other cancers. The full potential of targeted therapy to conquer cancer will only be realized when coupled with a sophisticated, modern early detection effort. We need to develop tests that distinguish slow and non-lethal cancers from more dangerous malignancies. We want to bring tomorrow's technologies forward today.

Phil and Penny Knight share our sense of urgency. They will donate \$500 million if OHSU and the Knight Cancer Institute raise an additional \$500 million in two years. The Knights pledged this gift because they believe in Dr. Druker's work and his vision for the future of cancer treatments.

With the world-class team we're building at the Knight Cancer Institute, we can map how cancers start and how they progress. We will build upon this research to develop next-generation early detection tools and technologies. For this project, we will recruit and focus the energies of 20 to 30 top scientists from multiple disciplines on early detection. We will liberate them from administrative work and create a unique place for them to collaborate with each other as well as with clinicians who will help translate their discoveries into tests and treatments.





Providing a means for scientists to focus is crucial. Today many spend the majority of their time writing grants and reports and performing administrative tasks. We cannot afford to have our best and brightest minds wasting their time. Imagine what the world would have been if Einstein, daVinci, or Michelangelo spent most of their time applying for the resources to revolutionize physics, or paint the Mona Lisa and the Sistine Chapel, instead of doing it. Twenty scientists liberated from the "business of science" can produce like a team of 60.

To make real progress, we must understand the key molecular differences that distinguish an early benign growth from a lethal one. This is important because tumors are made up of cells that range from benign to lethal. By conducting detailed, comprehensive analyses, we will understand the key molecular features, or changes, that drive normal benign cells to become malignant.

Many of the technologies that can do this work exist today, but have not been refined and directed to the problem of early cancer detection. We know we'll also need a wide variety of tools to detect different cancers. These will include ultra-sensitive tests on blood, saliva or other body fluids to uncover mutations that we know are biological beacons for the disease and imaging technologies capable of seeing molecular abnormalities. These detection methods differ from screening used today because they will better equip us to differentiate potentially lethal cancers from abnormalities that do not require treatment.

In addition, new, high-end computing tools are needed to process the complex information that our analyses will generate. Sophisticated computing will enable us to translate millions of details about a person's cancer into a clear prevention or treatment plan.

As we learned with targeted therapies, there will not be a one-size-fits-all solution to early detection. Our action plan to make this vision reality is designed to deliver rapid results in the area of greatest unmet need in conquering cancer. But, this vision isn't about our institution. It's about every patient, every family and every organization with a stake in the cancer fight. No one can solve this problem alone.

We are all in this together, and we can change it together.

KNIGHT





OHSU Knight Cancer Institute

Connecting world class cancer care, research and education with Oregonians

As the only National Cancer Institute (NCI)-designated cancer center in Oregon, the Knight Cancer Institute is a leading institution in developing and translating scientific knowledge into new ways to treat and prevent cancer. As a part of the Oregon Health & Science University, the institute is devoted to improving the health and well-being of all Oregonians across the state.

As part of this commitment to Oregonians, OHSU and the OHSU Knight Cancer Institute collaborate with local healthcare providers and community groups to provide access to advanced clinical care, especially for patients with complex conditions. Finally, the institute conducts research and provides educational and outreach programs to benefit communities in Oregon, while also educating the next generation of health care providers and scientists.

Meeting the Knight Cancer Challenge will strengthen and expand these existing relationships and help elevate cancer care and health research benefitting Oregonians from Astoria to Coos Bay to The Dalles and many places in between.

The examples listed here illustrate OHSU and the OHSU Knight Cancer Institute's many programs in cancer care, research, education and prevention.

Clinical Cancer Care

Astoria

In collaboration with Columbia Memorial Hospital in Astoria, OHSU and the Knight Cancer Institute provide comprehensive, interdisciplinary, consultative and ongoing oncology and hematology services to residents of the North Oregon Coast.

Salem

OHSU Knight Cancer Institute and Salem Health formed an alliance to ease the logistical burden of receiving cancer treatment for patients in the Salem area. Coordinated activities include collaborative assessment by specialists of patients and their tumors, referrals to clinical research trials, support for screening activities, and local access to OHSU specialists for genetic counseling and treatment of gynecologic cancers.

Medford

OHSU works with Asante Rogue Regional Medical Center to deliver care to cancer patients with complex conditions. As part of this effort, an OHSU pediatric specialist provides consultative oncology services in Medford.

Bend

The Central Oregon Pediatric Association provides physicians in the region with access to OHSU pediatric cancer care specialists to better equip them to deliver chemotherapy and other cancer treatments to patients in the communities where they live.

Statewide

OHSU and the Knight Cancer Institute have many programs that support cancer patients and treatment providers throughout the state including:

- Pediatric cancer open phone program OHSU Doernbecher assigns pediatric oncologists to serve in rotation to provide emergency rooms with support when they are treating pediatric cancer patients with complications from chemotherapy.
- Northwest Marrow Transplant Program A collaboration between Legacy Health and OHSU, this program offers a full range of blood and marrow transplants to cancer patients throughout the region.
- Knight Diagnostic Laboratories OHSU provides next-generation cancer diagnostic tests to physicians in Coos Bay, Salem, Springfield, Eugene, Bend and The Dalles. These tests, which are analyzed at the Knight Diagnostic Laboratories, make it possible for physicians to understand the biology driving the patient's disease, allow for more precise treatment decisions and spare patients from receiving treatments that won't address the root cause of their disease. The analysis can also be used to match patients to relevant clinical trials.



Knight Cancer Institute in Oregon

Ongoing Activities

- Knight Clinical Presence
- Knight Research Collaborations
- Knight Prevention and
- Screening Collaborations



Cancer Research

Leveraging National Cancer Institute status – As the only institution in Oregon designated as a cancer center by the NCI, the OHSU Knight Cancer Institute assists other organizations in making connections to NCI programs. Through OHSU Knight Cancer Institute, healthcare providers in Salem, Medford and The Dalles are able to participate in the NCI-sponsored clinical research network.

The Pacific Northwest Evidence-based Practice Center

at OHSU – One of 11 evidence-based centers in the nation sponsored by the Agency for Healthcare Research and Quality, the center conducts systematic reviews of health care topics – including cancer care – for federal and state agencies, professional associations and foundations. These reviews have led to recent changes in screening and treatment practices for breast, prostate and lung cancers.

OHSU/FEI Living Lab for Cell Biology – Hillsboro-based microscope-maker FEI and OHSU are collaborating to run this lab which provides researchers across the Oregon University System with state-of-the-art electron microscopes to advance the understanding and treatment of complex diseases such as cancer and AIDS.

Targeted Community-Based Research – OHSU Knight Cancer Institute researchers have worked with specific communities in Oregon to understand the disparities of cancer incidence rates among different Oregon communities, including cervical cancer risk among Native American and Hispanic populations, breast cancer with the Chinese American community in Oregon and the disparities in cervical cancer screening rates among Vietnamese American women.

Cancer Prevention and Screening

Outreach and Awareness: Programs across the state include:

- Annual head, neck and skin cancer screening OHSU and the Knight Cancer Institute provide a screening event in Portland and have assisted health-care providers in Salem and Coos Bay with similar free screenings.
- OHSU's Let's Get Healthy! This program uses an interactive educational and research exhibit to promote cancer prevention and other good health practices at area health fairs. It has been deployed in a wide range of communities from Newport to Madras to Hermiston.
- OHSU Knight Cancer Institute's SCREEN program Run in collaboration with OHSU's Center for Women's Health, Susan G. Komen for the Cure, and Samaritan Health Services, the program reaches out to rural communities to raise awareness of screening guidelines for breast and cervical cancer. To date, the program has benefitted people in Albany, Lebanon, Corvallis, Lincoln City, Newport, Yachats, Florence, Eugene, Springfield, Oakridge and Cottage Grove.



OHSU Knight Cancer Institute Leadership

The OHSU Knight Cancer Institute has an extraordinary record of innovation and accomplishments that have fundamentally changed the way we approach cancer. Equally, its leaders recognize the importance of forming collaborations with partners who bring unique expertise to accelerate the development of new treatments for patients. This team has challenged existing beliefs, developed entirely new approaches to targeting cancer, and changed our understanding of how we will fight cancer. And now it is time to launch the next stage of the war on cancer: finding it at its earliest, more curable stages.



Brian Druker, M.D.

In 1993, Dr. Brian Druker was recruited to OHSU from Harvard's Dana Farber Cancer Institute. He dreamed of creating better treatments and believed the best approach to attack cancer was at the molecular level. This new paradigm, now known as targeted therapy, was considered by many in the scientific community to be voodoo science and not worthy of funding. At OHSU, Druker was given a lab and the freedom to focus on his research. He formed a partnership with researchers at the pharmaceutical company Ciba-Geigy who had a compound Druker believed might attack the molecular abnormality that fueled a certain type of leukemia – CML, or chronic myeloid leukemia.

Druker discovered the drug could do what so few compounds had done before – kill cancer cells but leave healthy cells alone. The drug company, now merged to become Novartis, had no experience with cancer therapies and was reluctant to invest in a drug that had a relatively small patient population. He wasn't just a researcher isolated in his lab; he was an oncologist with patients who desperately needed new treatments. Druker waged a five-year battle to convince the drug company to do a clinical trial. Druker oversaw the Phase I clinical trials in which all patients had their blood counts return to normal within six months – an unheard of response. And 14 years later, the results remain astounding. Patients once expected to live less than five years are now expected to live a normal life span, simply by taking one pill a day.

The drug, now known as Gleevec, has heralded a new era in cancer treatment. Today, there are more than 50 targeted therapy treatments and hundreds more in development. Gleevec was featured on the cover of *Time*. Druker has been honored with medicine's most prestigious awards including the Lasker Award (America's Nobel), the Japan Prize, the Albany Medical Prize and many others. He is a member of the National Academy of Science, American Academy of Arts and Sciences and the Institute of Medicine.

"The success of what we accomplish will not be measured in new buildings, medical awards or headlines. It will be measured in patients living full lives," Druker said.



KNIGHT CANCER INSTITUTE Oregon Health & Science University



Tomasz Beer, M.D.

Finding the best treatments for men battling prostate cancer has been a lifelong crusade for Dr. Tomasz Beer. Since 1999, Beer has led or co-led 96 prostate cancer clinical trials, of which 74 were multicenter studies. Beer is known for leading the investigation of many novel therapies for prostate cancer. Among them are the hormone blocker enzalutamide, immunotherpies sipuleucel-T and ipilimumab, and the antisense oligonucleotide custirsen.

In all of these cases, Dr. Beer leads or has led large national and international studies. Recently, Dr. Beer's work demonstrated that enzalutamide, an androgen receptor blocker, significantly extends survival in men with advanced cancer. Dr. Beer and the Knight prostate cancer program led or co-led the development of this agent from the very first Phase I clinical trial to the crowning achievement of a positive result in a global trial that involved 1,717 participants.

Dr. Beer in 2012 was selected as a leader of one of the nation's best known and most promising prostate cancer initiatives – the "Dream Team" project funded by the Prostate Cancer Foundation, Stand Up To Cancer, and the American Association for Cancer Research. This prostate cancer "Dream Team" is made up of researchers from across the country and will investigate how treatment-resistant tumors manage to thwart existing therapies. The "Dream Team" also includes OHSU researchers Dr. Joshi Alumkal and Dr. George Thomas. Their work aims to develop new tests to identify treatment resistance early on and new therapies to help overcome it.



Joe Gray, Ph.D.

The future of all cancer research and treatment begins with creating a detailed blueprint of cancer's molecular architecture. In 2010, OHSU recruited internationally renowned cancer and genomic researcher Joe Gray, Ph.D.

Gray, a physicist, is known for breakthroughs that have changed clinical practices for cancer patients including aspects of flow cytometry, a technique for counting and examining microscopic particles, such as cells and chromosomes. He also helped develop the widely used FISH and CGH tests that help determine what treatments are used for breast cancer patients.

Because of his background, Gray has been tapped to play leadership roles in the world's most important and ambitious cancer research projects. He plays an instrumental role in the Cancer Genome Atlas Project, a collaboration of scientists whose objective is to map the genomic characteristics of 20 different types of cancer, work that is illuminating the pathways through which cancer grows. His long list of accomplishments also prompted the Stand Up To Cancer initiative to ask him to help lead one of the "Dream Teams" of breast cancer researchers.

Gray is the director of the OHSU Center for Spatial Systems Biomedicine, where he is engaged in a collaboration with Intel to develop advanced computational technologies to intercept and manage the large volumes of complex patient data generated through modern genomics. An integrated OHSU/Intel team is working on a research data center equipped with an Intel supercomputing cluster. The team's first projects will be focused on genetic profiling of patients' tumors to look for patterns in how the disease progresses and how to relate this information to how the tumor will respond to treatment.



Lisa Coussens, Ph.D.

Lisa Coussens, Ph.D., knows cancer all too well. She has watched her mother and brother battle the disease. She is a pioneer in studying how cells that surround a tumor can fuel its growth. She was recruited to OHSU in 2011 and is the associate director of basic research.

For the past 20 years Coussens has studied how cancer usurps the immune system. Her work has upended a longheld belief that immune cells that surround cancer cells are overwhelmed and unable to effectively fight the cancer. Her research has shown that some of these immune cells are not only shut down, but are fueling the growth of the tumor. She has launched the first-ever human trial to combine chemotherapy with a drug to eliminate the immune cells that are enhancing the growth of the tumor. She is one of two researchers in the country awarded a \$6.5 million Komen for the Cure Promise Grant to translate her findings into better treatments.



2014 Legislative Agenda OHSU Board of Directors January 30, 2014

\$1.2 Billion Plan for Oregon to Change the Face of Cancer

2014 Legislative Request: \$200 million in state general obligation bond proceeds to finance facilities necessary to expand Knight Cancer Institute research operations

- OHSU partnership with the State of Oregon similar to successful "Oregon Opportunity" initiative in 2001
- Article XI-G bonding for state capital construction investment in public institutions of higher education
- State pays debt service
- OHSU must match the state investment
- Statutory authorization of bond issuance during February 2014 short legislative session
- Bonds to be issued in first half of 2016





RESOLUTION 2014-01-02 OREGON HEALTH & SCIENCE UNIVERSITY BOARD OF DIRECTORS

WHEREAS, the Board wishes to identify and appoint Board members to serve on each of the Board Committees and on each of the Integrity Program Oversight Council, the Investment Committee and the University Health System Board.

NOW, THEREFORE, BE IT RESOLVED:

The following Board members shall be appointed as listed below, to serve at the pleasure of the Board of Directors:

Finance & Audit Committee

Maria Pope (Chair) MardiLyn Saathoff Jay Waldron Ken Allen

Governance Committee

MardiLyn Saathoff (Chair) Poorav Patel Amy Tykeson

Human Resources Committee

Amy Tykeson (Chair) Jay Waldron Prashant Dubey

Board Members Appointed to Integrity Program Oversight Council

David Yaden Ken Allen Poorav Patel

Board Members Appointed to Investment Committee

Maria Pope Prashant Dubey

Board Members Appointed to University Health System Board

Joe Robertson Jay Waldron David Yaden

This Resolution is adopted this 30th day of January, 2014.

Yeas <u></u>Nays _____

Signed by the Secretary of the Board on January 30, 2014.

Connie Seeley

Board Secretary