



OREGON HEALTH & SCIENCE UNIVERSITY BOARD OF DIRECTORS MEETING

January 29, 2015
10:00 am – 12:00 pm
School of Nursing, Rooms 358 & 364

10:00 am	Call to Order/ Chairman's Comments President's Comments Approval of Minutes (Action)	Jay Waldron Joe Robertson, M.D. Jay Waldron
10:15 am	FY15 First Half Results	Lawrence Furnstahl
10:30 am	Changing our Culture to Improve the Health of all Oregonians	Jeanette Mladenovic, M.D.
11:00 am	Legislative Agenda	Brian Shipley
11:30 am	Other Business, Adjournment	Jay Waldron

**Oregon Health & Science University
Board of Directors Meeting
October 23, 2014**

Following due notice to the public, the regular meeting of the Board of Directors of Oregon Health & Science University (OHSU) was held at 10:00 a.m. in the School of Nursing, Room 358/364, located at 3455 SW Veterans Hospital Road, Portland, Oregon.

A transcript of the audio recording was made of these proceedings. The recording and transcript are both available by contacting the OHSU Board Secretary at 3181 SW Sam Jackson Park Road, Mail Code L101, Portland, Oregon 97239. The following written minutes constitute a summary of the proceedings.

Attendance

A quorum of the Board was present. Board members in attendance were Jay Waldron, Chair, presiding;; Ken Allen; Frank Toda; Suzy Funkhouser; Joe Robertson; Prashant Dubey; Amy Tykeson; and David Yaden. Also present were Lawrence Furnstahl, Chief Financial Officer; Connie Seeley, Board Secretary and OHSU Chief of Staff; Mark Richardson, Dean, School of Medicine, and EVP; other OHSU staff members and members of the public.

Call to Order

Jay Waldron called the meeting to order at 10:03 a.m. Mr. Waldron briefly outlined the meeting agenda and asked Joe Robertson to begin the meeting with the president's comments.

President's Comments

Dr. Robertson's comments covered the following topics:

Welcome new board member

Dr. Robertson welcomed Suzy Funkhouser to the OHSU Board of Directors. Suzy is a former OHSU employee and a student in the School of Medicine.

Knight Cancer Challenge

Currently our fundraising is at or near the \$445 million mark, towards our goal of \$500 million.

New OHSU Simulation Center

Some of our board members toured the new center this morning. We can see how that will have a marked changed on the curriculum.

Health Care Reform

Dr. Robertson shared some statistics that were compiled by researchers from the OHSU Center for Health System Effectiveness:

- Uninsured Oregonians fell by 63% between June 30, 2013 and June 30, 2014;
- Number of uninsured Oregonians in June 2013: 550,000 (14% of the population)

- Number of uninsured Oregonians in June 2014: declined by 222,000 (5.1% of the population)

OHSU Global Health Program

Through our Global Health Program, OHSU has an opportunity to form a major partnership with Bangkok Hospital. Dr. Mladenovic and Dr. Robertson are going to Thailand for a three day whirlwind trip. Dr. Mladenovic will be back at another board meeting to tell about the trip.

OHSU Data Center

Today we are going to hear a bit more about the Center, and have a special opportunity to name the facility.

Facilities/Logistics Innovation

Dr. Robertson credited Scott Page, VP of Facilities and Logistics, with bringing to Dr. Robertson's attention a device invented by OHSU's own Mark Jones that drastically improves dust containment in highly sensitive areas.

Ms. Tykeson inquired if there is a patent pending. Dr. Robertson assured her there is.

Approval of Minutes

Mr. Waldron asked for the approval of the minutes of the September 18, 2014 Board meeting, included in the Board Docket. Upon motion duly made by Dr. Toda and seconded by Mr. Yaden, the minutes were unanimously approved.

FY14 Financial Statement Audit

Resolution 2014-10-09: FY14 Financial Statements and Independent Auditors' Report

Lawrence Furnstahl updated the board on OHSU's operating income for last year. He reported that there had been a pending adjustment that has now been resolved in a positive way. He stated that our final operating income figure is just a shade under \$95 million, which is about \$30 million more than budget and just about where we were last year. Together with the Foundation's funds, the grand total for net worth of the University rose about \$215 million, or about 10% more than last year, to just a shade over \$2.4 billion. Mr. Furnstahl then introduced OHSU's auditor, Jacque Cabe, from KMPG.

Jacque Cabe stated the audit process has gone well, and all of the reports that they will be issuing will reflect clean opinions. Two of the areas that were focused on are Health Care Reform and Self-insurance Reserves, including professional liability. Ms. Cabe stated that they noted no material errors, irregularities or illegal acts. She also stated that in terms of any recorded audit adjustments, there were none, and they had no disagreement with management.

Ms. Tykeson asked Lawrence about the Medicare and Medicaid settlement activity, and how is it different then it has been, or is it the same? Mr. Furnstahl replied that we see that a lot, basically every year. He said that a fair amount of our Medicare and Medicaid reimbursement is paid as a result of a filing we make. When we submit that and our numbers each year we tend to be a little conservative about those audit adjustments and then we defend appropriate reimbursement. It often takes years to settle these, so there is usually several

years outstanding. As each one is settled, there is always some adjustment from the estimate we make, and the estimates tend to be payouts, and that is what this represents. So it is really a relatively difficult thing for a large offload.

Hearing no further questions or comments on the auditor's report, Mr. Waldron called for a motion on Resolution 2014-10-09, which approves and adopts the Financial Statements and Independent Auditors' Report as set out by KPMG for Oregon Health & Science University for the Fiscal Year 2014. Upon motion duly made by Mr. Allen, and seconded by Mr. Yaden, the resolution was unanimously approved.

FY15 First Quarter Financial Results

Mr. Furnstahl informed the board that this current fiscal year we are running about \$3 million over budget, largely due to the Collaborative Life Sciences Building, which has added about \$17 million a year of new expenses. Within revenue and expense, net patient revenue is running nicely above last year.

Within case mix, Mr. Furnstahl noted, there were three things of note: The first is our case mix index, which is by far the highest of any hospital in the State of Oregon. It is up 3% and is now 2.01, which is an astounding number. That means that the average complexity or intensity of cases in our hospital is twice that of a standard hospital in the United States. The second is the share of our activity that is done on an outpatient basis continues to shift. We have very intense, complex care being provided on an outpatient basis. And, prior to the expansion of insurance under the Affordable Care Act, about 5% of the activity at OHSU had no insurance at all, and in the second half of the last year fiscal year, that dropped from 5.1% to 1.4%, almost a three-quarters decline.

Mr. Waldron asked what going from 5% to 1.3% meant in terms of dollars. Mr. Furnstahl stated that most of the 5% got us nothing at all. On Medicaid we get about 80% of our cost, which would translate to the \$40-50 million dollars a year range if nothing else changed. But a lot of other things changed: Half of the expansion of health insurance under the Affordable Care Act has come from reductions in Medicare payments, which is a shift going the other way. If you look at the entire bill, which costs about a trillion dollars over a decade, 50% of that trillion dollars in the Federal budget was funded by reductions in Medicare payments to hospitals and physicians. The other 50% was funded by higher taxes. So you can't just look at one particular piece, you have to look at the whole active system. But there is no doubt that that is a net-positive as we stand here today.

Ms. Tykeson asked: Since Oregon gets a lesser amount back because of how Medicare was set up in terms of our state and how efficient we are...with the reform, is there any equalizing effort going on nationally or not? Mr. Furnstahl replied that there is none that is as yet successful, but that efforts are going on.

Mr. Allen asked how confident Mr. Furnstahl was in the 1.4% to 1.3% area going forward, where will he budget? Mr. Furnstahl acknowledged that the major challenge is that Oregon did an extremely good job auto-enrolling people who were basically categorically eligible for Medicaid coverage on the expansion. And this is one of the reasons that 350,000 Oregonians got on the Oregon Health Plan within six months, and that was expected to happen over several years. The upcoming challenge is that they need to re-enroll. In terms of its effect in our budget, patients who are at OHSU tend to be both more focused on their insurance coverage than people who are generally healthy or healthier, and secondly, because it's a contained population we help them

re-enroll. There might be some tail off in coverage in terms of aggregate numbers until people learn the re-enrollment process, but its impact on our budget will be much less because it is a much more focused population.

Dr. Robertson added that there is a hidden expense that is also present. If half the money is coming from a reduction in Medicare, the hidden expense is that we are moving to a segmented population. In the past we provided care for a fee-for-service basis. We are now providing care through a different system, and there is an expense that is incurred in setting up that system, and that expense of setting up an alternative system is one of the great threats to healthcare reform. Dr. Robertson went on to say that in all of the talk about healthcare reform, you talk about operating budgets. Completely absent in that discussion is any discussion about the investments made to change the system.

Mr. Yaden asked if, since the overall share of the commercial market as a share of the total is decreasing, does Lawrence expect that our share of that share will remain about where it is?

Mr. Furnstahl replied that he thinks OHSU is good at maintaining market share across all segments, and that he would expect that sort of degree bar here, which you can see sort of slowly decreasing. That is driven by the population, the overall market rather than any change in our market base. Worth noting is the general aging of the population, and that a very large percentage of the population growth of Oregon is occurring in the over 65 category, and that is the Medicare shift. It is somewhat mitigated for us in that we have such a large Children's Hospital.

Dr. Robertson added that at one of the Oregon Health Policy Board meetings he saw numbers that showed the increase in the number of people over 65 in Oregon last year, and it was roughly the same or greater than the total increase in the population of Oregon.

Mr. Furnstahl proceeded to talk about the balance sheet. He said, as always happens, our cap position declines in the first quarter and then recovers as we go up through the remaining three-quarters of the year. There are two reasons for that: one is that we pay all of our principle on our bonds in July, so the mortgage payment if you will, and then secondly capital spending is very much focused in the last quarter of the fiscal year, but the bills come due in the first quarter of the following fiscal year. The positive news I want to note is that patient accounts receivable is actually a positive contributor to cash flow since July 1st, reversing the increase in receivables due to a billing vendor change last year. We are now bringing that back down.

Naming of OHSU Data Center

Resolution 2014-10-10 OHSU names new data center the "Keith Thomson Data Center"

Mr. Waldron stated that OHSU's new data center in Hillsboro will be named the "Keith Thomson Data Center" in honor of Mr. Thomson's unswerving commitment to OHSU and to the Oregon community at large.

Mr. Waldron called for a motion on Resolution 2014-10-10, which approves and adopts the naming of the new data center in Hillsboro the "Keith Thomson Data Center". Upon motion duly made by Mr. Waldron, and seconded by Mr. Yaden, the resolution was unanimously approved.

MD Curriculum Transformation

Dr. Mark Richardson spoke to the board about the curriculum transformation for our MD training. He mentioned that the first question is “Why do we want to change?” If you look at the aspects of change, it’s technology, science healthcare reform and also coupled with shifting education models. In the face of the changing environment, we needed to adapt our curriculum and incorporate some of the needs for tomorrow. Dr. Richardson addressed “What will we need for the future?” A leader; a partner who is a team player who recognizes inter-professional care delivery models; somebody who communicate well. There is an emphasis on population health, the use of technology and informatics, a way to consistently assure quality that is focused on outcomes; someone who understands systems; and someone who is continuously using process improvement to improve and innovate. It is called Your MD, and anyone who wants to look at it can just dial it up on the internet. Ultimately, what we are trying to do here is support the workforce needs of Oregon.

Mr. Dubey asked Dr. Richardson how he expects this to change the statistics around the number of applicants, or the ideal profile of an OHSU medical student? Dr. Richardson replied that anytime a new curriculum is instated, there is a concern among applicants, wondering what the new curriculum will be like. But OHSU has not seen a diminishment of applicants. Dr. Richardson thinks the real question here is whether or not the new curriculum is a deterrent to those who actually accept our offers of matriculating here. We have not seen that, either, but it certainly is possible that there might be a change. Dr. Richardson shared some quotes from some OHSU students supporting the new direction. He shared that most of the students he communicates with are really excited about the change.

Mr. Prashant asked if, in evaluating new applicants, they might be viewed with a different lens, as to maybe now not be a good fit due to the new curriculum? Dr. Richardson disagreed. He said that the application process consists of scoring, letters of referral, performance in undergraduate, life experiences, background, state origin. Dr. Richardson does not see that changing.

Ms. Tykeson asked Dr. Richardson if there is a movement to shift focus and students in the future away from specialty areas of practice and into primary care. She asked what is OHSU doing in our curriculum regarding this movement? Ms. Tykeson also asked what is OHSU doing to expand the PA program and other support systems as we move toward national health care? Dr. Richardson replied that OHSU is enlarging our PA class s by 25 percent. He said that Dr. Mladenovic can comment on the increased attempt that we have to develop advanced nurse practitioners, again, as part of the provider list. As for the first question, if you look back in history, we simply have been unable to accurately predict actual specialty needs twenty years from now. The goal of our curriculum here is to train excellent providers no matter what field they are in. We continue to emphasize rural and community practice. We want to make sure that our undergraduate physician students are exposed to a variety of different specialties and how medicine is delivered, but we have consciously avoided trying to say we need to do X because of a perceived need 15 to 20 years from now. We focus on how do we train excellent providers no matter where they go.

Ms. Tykeson asked if nationally there is some department that indicates the need for, say, primary care physicians, with feeder systems like OHSU making sure that all of the pieces are in place to meet that need. Or is it just left up to the student to decide to be a cardiologist or a pediatrician? Dr. Richardson replied that currently it is left up to the student. There are some thoughts about trying to evaluate the need and then

create a workforce that fulfills that need. The drawback is our projections around workforce have been dramatically wrong in the past as we try to look at the number of physicians and the type of physicians that we need.

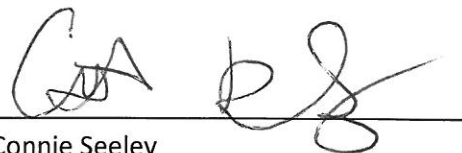
David Yaden indicated that although he understands what population health means in terms of how it is going to be paid for, he does not know what it means in terms of the practice of an individual physician who is still going to see people one-on-one. He asked if Dr. Richardson could speak to that. Dr. Richardson explained that every physician in practice today has a current population that they take care of. If they have a practice in the West Hills, they have a population that they are taking care of. Approaching those populations from the sense of what community is being treated, and what the objectives are, is the mindset that OHSU is trying to instill in their students instead of treating a single individual. There is a larger objective in mind, not just on an individual basis, but changing the health of a population that the doctor is at least partially responsible for.

Dr. Robertson added that that is one of the reasons why we here at OHSU actually feels global health is so important. It is about learning that aspects of treatment, and adjusting and being in tune with the culture. Global Health is not just about what happens overseas, it is about treating all populations. Dr. Robertson wanted to underscore the heroic efforts and success of this curriculum revision. Every curriculum revision is tumultuous. Responsibility of the curriculum is actually owned by the faculty. The Dean can do lots of things, but the faculty is specifically given the responsibility for the curriculum.

Adjournment

Hearing no further business, Mr. Waldron adjourned the meeting at 11:05 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'C. Seeley', written over a horizontal line.

Connie Seeley
Board Secretary



FY15 First Half Financial Results

**OHSU Board of Directors
January 29, 2015**

FY15 H1 Financial Results

- OHSU operating income through the first half of FY15 is \$37.8 million, \$1.2 million above budget but \$10 million less than last year.
- Not included is any part of an expected \$19 million for OHSU's share of the Hospital Transformation Performance Program, a new value-based payment within Oregon's Medicaid coordinated care transformation, which is funded by a hospital provider tax.
- With HTPP, FY15 earnings are estimated at ~\$95 million, consistent with the prior two fiscal years.
- There is opportunity to improve on this going forward, to secure dollars for strategic investment, by better controlling year-over-year growth costs—especially in supplies & services.

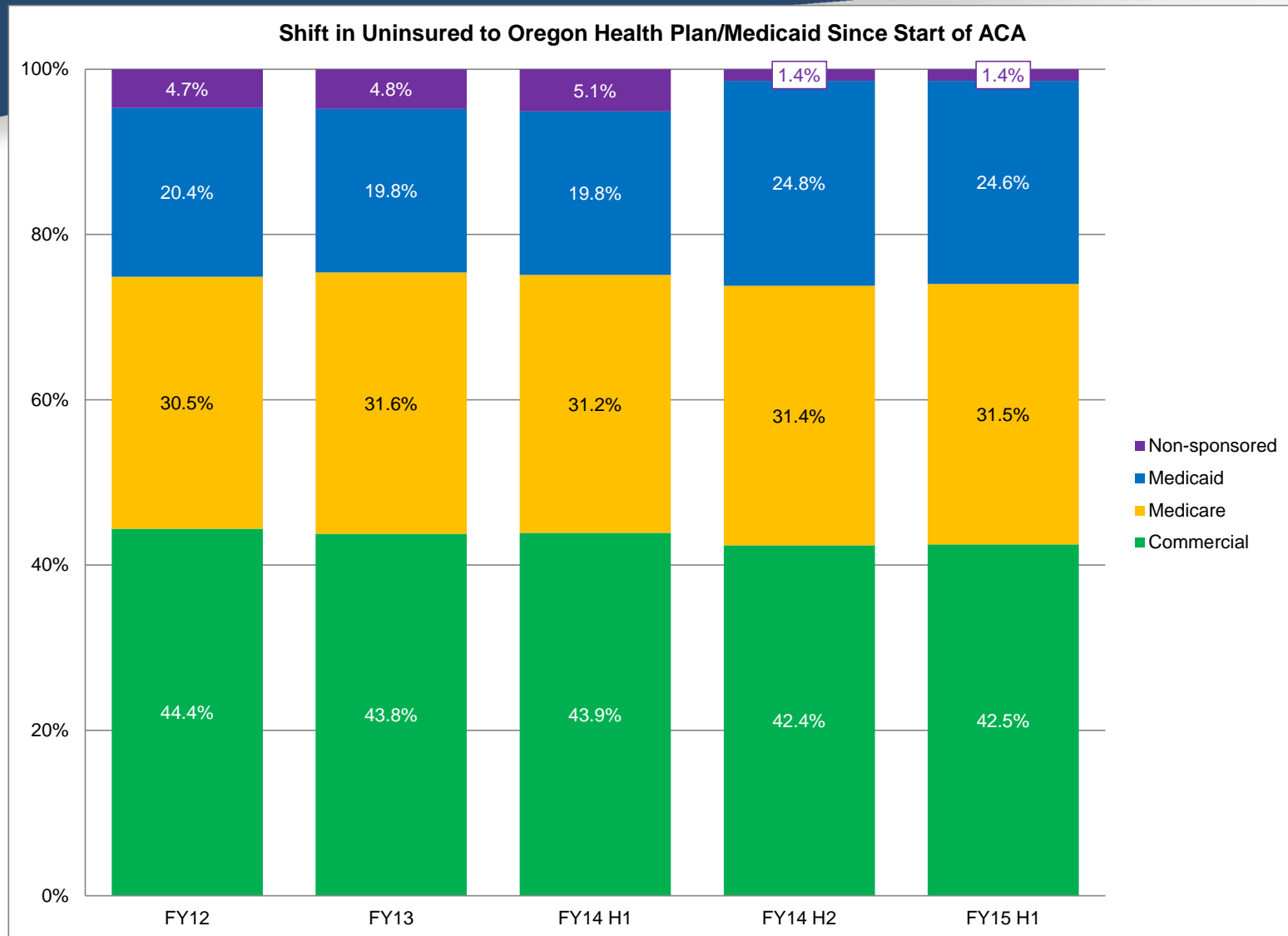
FY15 H1 Earnings \$1.2M Over Budget

First Half (6 months) (millions)	FY14 Actual	FY15 Budget	FY15 Actual	Actual - Budget	Actual / Last Year
Net patient revenue	\$811.8	\$853.3	\$879.3	\$26.0	8%
Grants & contracts	176.4	181.3	179.5	(1.8)	2%
Gifts applied to operations	29.4	37.8	34.7	(3.1)	18%
Tuition & fees	30.4	31.9	32.0	0.0	5%
State appropriations	17.7	16.7	16.7	0.0	-6%
Other revenue	46.2	56.8	47.4	(9.4)	3%
Operating revenues	<u>1,111.8</u>	<u>1,177.9</u>	<u>1,189.6</u>	<u>11.7</u>	<u>7%</u>
Salaries & benefits	654.5	706.5	697.7	(8.8)	7%
Services & supplies	306.4	320.7	338.7	17.9	11%
Medicaid provider tax	33.9	35.7	38.5	2.8	13%
Depreciation	57.5	64.9	63.5	(1.4)	10%
Interest	11.8	13.5	13.5	(0.0)	14%
Operating expenses	<u>1,064.2</u>	<u>1,141.3</u>	<u>1,151.8</u>	<u>10.5</u>	<u>8%</u>
Operating income	<u>\$47.6</u>	<u>\$36.5</u>	<u>\$37.8</u>	<u>\$1.2</u>	<u>-21%</u>

Outpatient Care Drives Volume Growth

First Half (6 months)	FY14 Actual	FY15 Budget	FY15 Actual	Actual / Budget	Actual / Last Year
Inpatient admissions	14,625	14,734	14,376	-2%	-2%
Average length of stay	5.66	5.70	5.90	4%	4%
Average daily census	442	450	446	-1%	1%
Day/observation patients	16,929	17,085	17,904	5%	6%
Emergency visits	22,636	22,188	23,322	5%	3%
Ambulatory visits	385,983	405,683	406,650	0%	5%
Surgical cases	15,459	15,426	15,835	3%	2%
Casemix index	1.96	1.97	1.98	1%	1%
Outpatient share of activity	44.7%	45.7%	46.6%	2%	4%
CMI/OP adjusted admissions	51,841	53,416	53,303	0%	3%

ACA Expands OHP/Medicaid Coverage



FY15 H1 Results: Net Worth & Investments

- With \$38 million in operating income through 6 months, consolidated net worth is up only \$28 million, largely due to a small (-0.5%) loss in OHSU-held investments and a similar decline in the Foundation's endowment market value.
- OHSU's U.S. fixed income and stock investments all had positive returns in line with the overall markets. However, longer-term funds that have allocations to international and commodity assets for wider diversification, experienced -5% returns, offsetting the U.S. gains.
- OHSU generated \$14 million of positive cash flow in total cash & investments for the first 6 months of FY15, operating earnings and improvements in patient A/R, which offset the investment decline, payment of principal in July, and completion of CLSB.
- Cash & investments usually fall in the first half, then recover in the second 6 months of the fiscal year—positive cash flow through December is a bit ahead of usual.

Cash & Investments Up \$14M in First Half

(millions)	6/30/14	12/31/14	Change
Total cash & investments	\$725	\$739	\$14
Net physical plant	1,517	1,500	(16)
Interest in Foundations	829	824	(5)
Long-term debt	(758)	(740)	18
Working capital & other, net	64	80	17
OHSU net worth	2,376	2,404	28
Operating income			38
OHSU investment return			(4)
Gain (loss) from Foundations			(5)
Other non-operating items			(1)
Total change in net worth			\$28

(millions)	Dec YTD
Operating income	\$38
Depreciation	63
OHSU investment return	(4)
CLSB project funds applied	12
Sources of OHSU funds	109
Principal repaid	(18)
Capital spending	(47)
Patient accounts receivable	11
Capital accounts payable	(34)
Interest deposit & other, net	(8)
Uses of OHSU funds	(95)
Sources less uses of funds	14
6/30/14 balance	725
12/31/14 balance	\$739



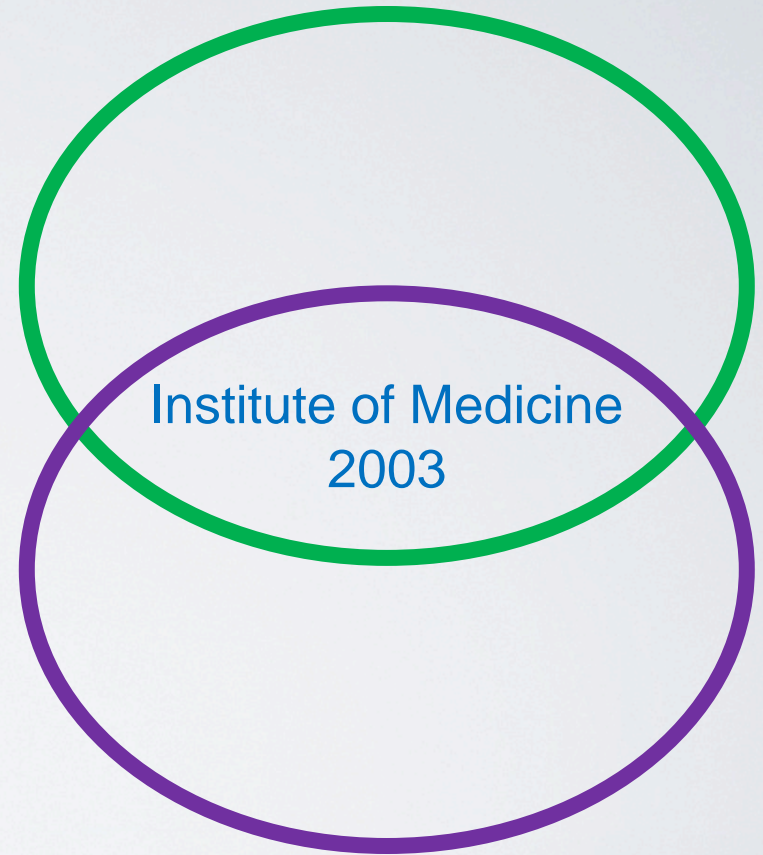
Changing Our Culture to Improve the Health of all Oregonians

**Jeanette Mladenovic, MD, MBA, MACP
Executive Vice President and Provost
January 29, 2015**

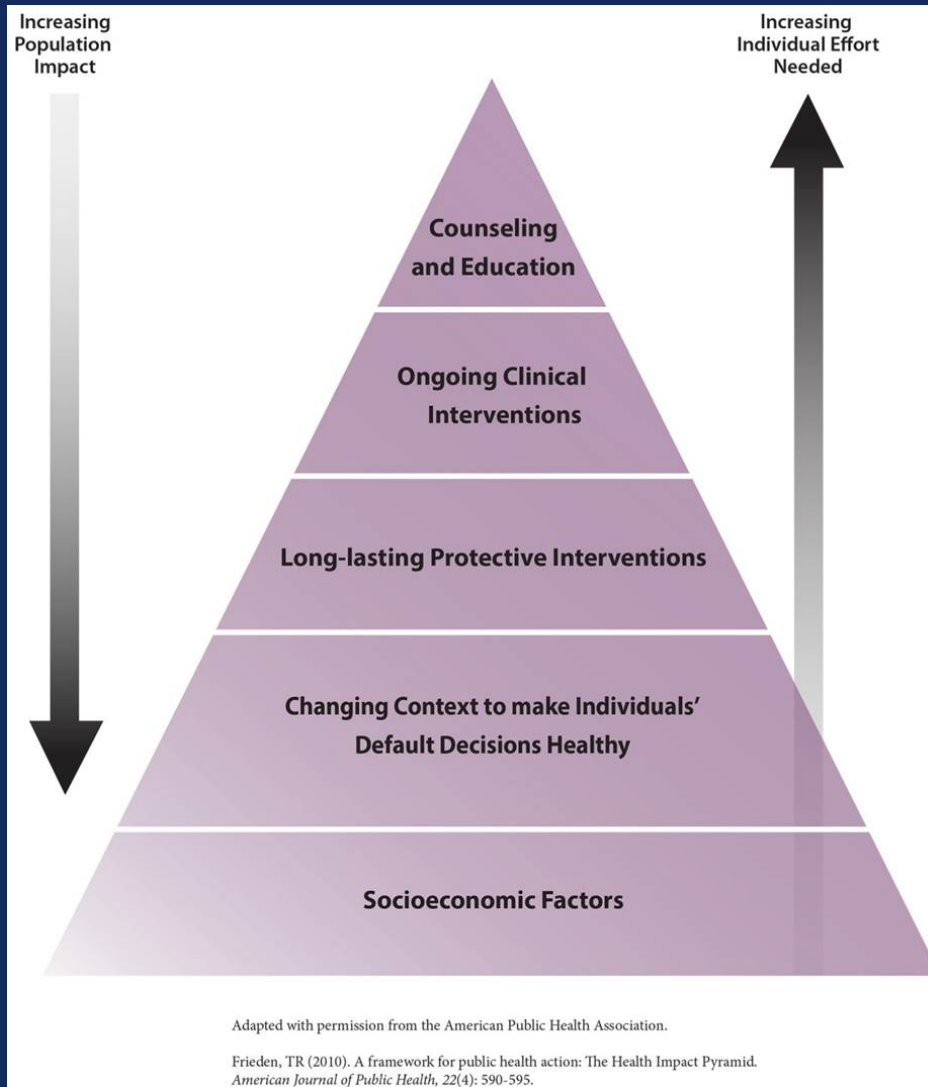
Changing our Culture



The Old Model



Frieden's Hierarchy



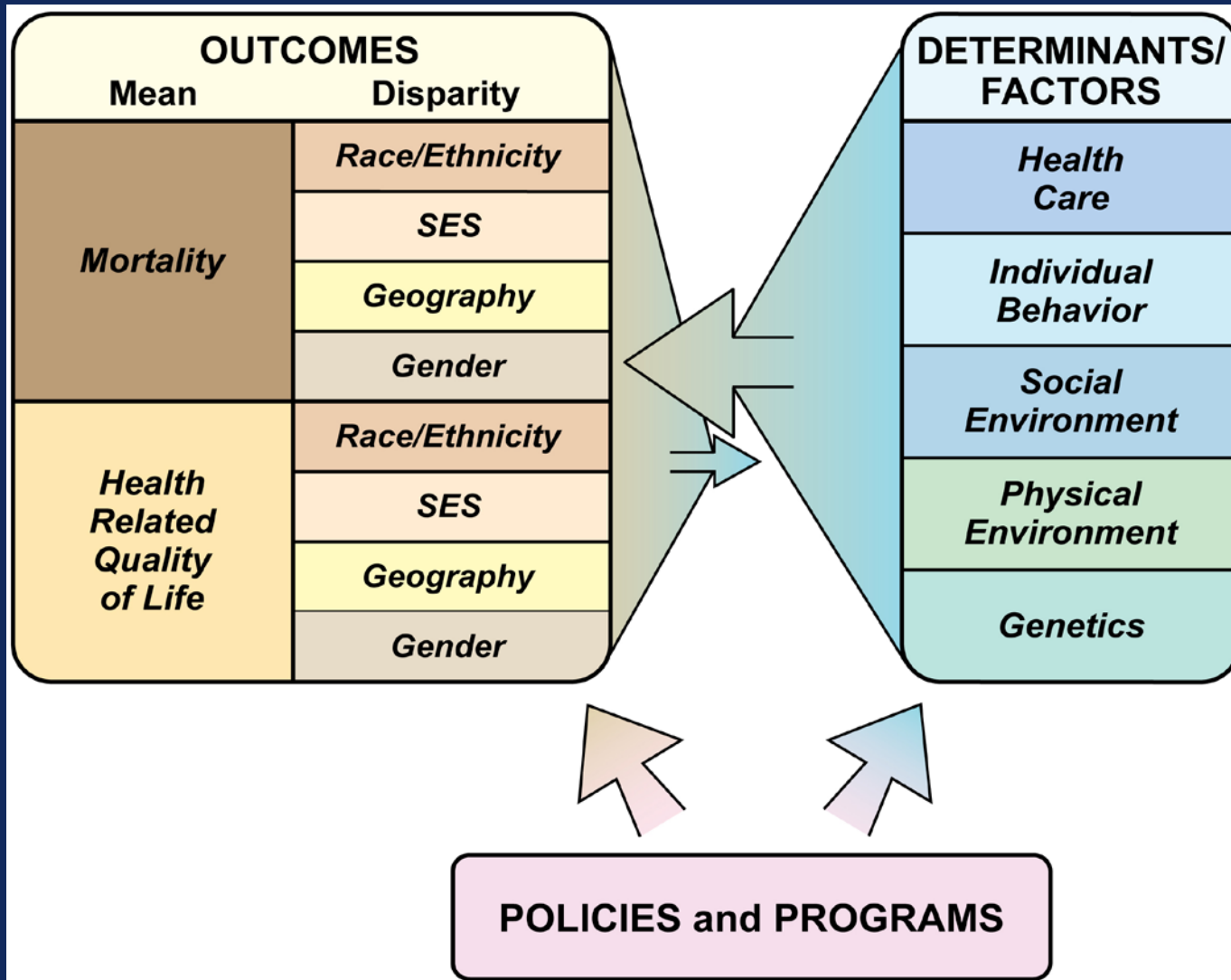
Most of health not determined by clinical Interventions but by social determinants.

Population Health

Definition: *“The health outcomes of a group of individuals, including the distribution of such outcomes within the group.”* (Kindig and Stoddart, 2003)



A View of Population Health (D. Kindig)



Educational Metamorphosis

- 1990's: Interdisciplinary to integrated
- 2000: ACGME Competencies
 - Practice Improvement
 - Systems-based practice
- Shift from majority hospital to outpatient
- New expectations of professions and faculty
- Public health integrated as required
- New content areas and ways of educating
- Rethinking our workforce using holistic admissions processes

Health Professions Education 2015

- Interprofessional
- Team-based practice, especially for chronic disease
- Critical communication skills
- Professional responsibility to assess and improve care of populations (i.e., their own and systems)
- Focus on quality improvement
- Commitment to the triple aim: quality, access, and cost

Proposed School of Public Health

Vision: *Through education, research, and community engagement, the School of Public Health will be a leader in promoting health and eliminating disparities in Oregon and beyond.*

Mission: *The mission of the School of Public Health is to prepare a public health workforce, create new knowledge, address social determinants, and lead in the implementation of new approaches and policies to improve the health of populations.*

Proposed School of Public Health

- A model of collaboration: OHSU and PSU
- Aligns our institutional strengths, faculty, and students into a single school
- Graduate programs: re-alignment and creation of new graduate programs
- Undergraduate program: PSU's desire to include their robust undergraduate program
- Physical school: developing options

Our Students will be different

- 3 PhD degrees and 5 (6) MPH tracks initially
- All tracks will require a core curriculum in disparities
- All students will learn how to work with communities and design interventions that can improve health

Population Health: the Science

- Understanding populations and society
- Developing the evidence for what works
- Disseminating the evidence (science)
- Applying and assessing new models of care
- Cost-effectiveness evaluation

New World Tension: Population Health

- Clinician focused on individual patient by code of professionalism
- Incentives not previously aligned: new payment models now require high-value care
- System is still fragmented and the burden of administration is great
- Difficult to see the ROI for care not delivered: generations?
- Disparities not addressed by healthcare system

At OHSU: 2015

- Interprofessional education and collaborative practice
- New curricula, new school, new programs
- Engaged heavily in evaluating and improving the healthcare we deliver
- Partnering with others to care for Oregonians to manage populations of healthy and the sick



2015 State Legislative Session

OHSU Board of Directors
January 29, 2015

OHSU Legislative Priorities

- 1) OHSU State Appropriation General Fund Request: \$77,332,846
 - \$71.2M – SOM, SOD, SON, CDRC, Oregon Poison Center, Office of Rural Health, Area Health Education Centers
 - \$6.1M – Recruitment & retention incentives for students–Scholars for a Healthy Oregon Initiative, Primary Health Care Loan Forgiveness Program
- 2) Continuation of \$200M Knight Cancer Challenge bonding authority and fulfilling associated legislative reporting requirements
- 3) Medicaid funding (hospital assessment due to expire; significant funding gap in '17-'19 biennium)
- 4) OHSU's relationship with the Higher Education Coordinating Commission and other ongoing post-secondary education reforms
- 5) Other policy legislation