



OREGON HEALTH & SCIENCE UNIVERSITY BOARD OF DIRECTORS MEETING

June 25, 2015
1:30 pm – 3:00 pm
CLSB, Room 3A001

1:30 p.m.	Call to Order/Chairman's Comments President's Comments Approval of Minutes (Action)	Jay Waldron Joe Robertson, M.D. Jay Waldron
1:45 p.m.	FY15 YTD Results and Proposed FY16 Budget with Academic Tuition and Fee Book (Action)	Lawrence Furnstahl Jenny Mladenovic, M.D.
2:05 p.m.	State Compact (Action)	David Robinson, Ph.D.
2:20 p.m.	Proposed Taxable Debt Issue (Action)	Lawrence Furnstahl
2:30 p.m.	Quality Report	Chick Kilo, M.D.
2:45 p.m.	Other business; adjournment	Jay Waldron

Oregon Health & Science University
Board of Directors Meeting
April 23, 2015

Following due notice to the public, the regular meeting of the Board of Directors of Oregon Health & Science University (OHSU) was held at 1:30 p.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; Maria Pope, Vice-chair; Ken Allen; Frank Toda; Suzy Funkhouser; Joe Robertson; Prashant Dubey; and Amy Tykeson. Also present were Lawrence Furnstahl, Chief Financial Officer; Connie Seeley, Board Secretary and OHSU Chief of Staff; other OHSU staff members and members of the public.

Call to Order

Jay Waldron called the meeting to order at 1:36 p.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:

- *Knight Cancer Challenge*
OHSU has now raised more than \$465 million toward the \$500 million challenge. We have until February 2016 to raise the full amount.
- *State Legislature*
Kudos to OHSU's Government Relations team. Dr. Robertson feels that this is the best OHSU has ever been received in Salem. The questions asked of OHSU are more aspirational-type than inquisition-type, which is indicative of the partnership that has developed between OHSU and the State.
- *Doernbecher Childrens Hospital*
Doernbecher has been rated number one in pediatric quality by the University Health System Consortium, in 2013-2014, out of 123 hospitals.
- *AAMC – Pediatric Program Award*
Our Pediatric program won an award through the Clinical Care Challenge.

- *Dr. Albert Starr*
Dr. Starr has been awarded Le Grande Prix Scientifique, a French award, sometimes referred to as the Nobel Prize in cardiology.
- *Dr. Susan Bakewell-Sachs*
Dr. Bakewell-Sachs has been named to the board of directors of the American Association of Colleges of Nursing.
- *AAMC – Medical School recognition*
OHSU has been recognized by the AAMC as one of the 11 medical schools reshaping medical education.
- *Leslie Garcia*
Ms. Garcia, our Assistant Chief Diversity Officer, has received the National Association of Diversity Officers in Higher Education, Individual Leadership Award for 2015.
- *Dr. Norwood Knight-Richardson*
Dr. Knight-Richardson has now stepped down from his diversity role, and is now the Sr. VP for Behavioral Health. Dr. Roberson took this opportunity to thank Dr. Knight-Richardson for his contributions.
- *OHSU Fellowship for Diversity and Research*
This new program is aimed at increasing the diversity of the community of scholars devoted to academic scientific research at OHSU.
- *Bangkok*
Dr. Robertson, Dr. Jeanette Mladenovic, and others, are headed back to Bangkok, for a more extended visit.

Approval of Minutes

Mr. Waldron asked for the approval of the minutes of the January 29, 2015 Board meeting, included in the Board Docket. Upon motion duly made by Ms. Tykeson and seconded by Dr. Toda, the minutes were unanimously approved.

Financial Update

Mr. Furnstahl updated the board on third quarter results. He noted that we have booked \$22 million from Oregon's share of the first year of a new program in our state called the Hospital Transformation Performance Program. Earnings are running about \$12 million above budget. He highlighted three areas that are running below target, and addressed how these areas will be dealt with. Mr. Furnstahl noted that the estimate for FY15 earnings is about \$90-95 million, which is above the \$70 million budgeted.

Mr. Furnstahl stated that the best opportunity for controlling year-over-year costs is in services and supplies. He mentioned that the income statement is showing 8 percent year-over-year growth in operating revenues. As for patient care, we are running 6 percent year-over-year. Our hospital is very full, driven largely by outpatient activity. With the Affordable Care Act, we continue to see a favorable shift in coverage in Oregon. Currently, about 1.2 percent of Oregonians are now covered, compared to 5 percent before the ACA.

Mr. Waldron asked if there is any room to go down further, or are we at full coverage level? Mr. Furnstahl replied that a reduction of 80 percent is pretty good. Nationally, the ACA was intended to reduce uninsured by about two-thirds. He believes that this current level is a pretty reasonable place to be. Most of it has gone to the Oregon Health Plan. About 380,000 Oregonians have gotten coverage through the Oregon Health Plan, under the Medicaid expansion, a component of the ACA, and now over a million Oregonians are on the plan, more than 25 percent of the state's population. For the first year, that expansion is 100 percent federally insured, and it is about \$5,000 a person per year, which means there is about \$1.9 billion of new federal money coming into the state of Oregon as a result of the Affordable Care Act. It doesn't all come to OHSU; it is spread throughout the state, but we are seeing our piece of it. Mr. Furnstahl added that this inflow of money has greatly differentiated nationally those states like Oregon that expanded and leaned into the ACA and expanded Medicaid from the roughly half of the states which declined to do that, and they are leaving money on the table. Under the ACA, and over the next 10 years, those new dollars are funded half through higher taxes, generally from those making over \$250,000 a year, and half through a lower rate of growth on Medicare spending. Some of that will be recouped, in terms of the equilibrium. But now there is a much more even flow, fewer patients with no insurance at all, and more patients with better coverage and better access to care.

Mr. Dubey asked, in regards to the Services and Supplies question, that if the case mix is high and getting higher, as high as it can go, how can services and supplies be impacted if we are trying to do complicated things simpler and make sure everyone is focused on the most streamlined process? The numbers say that this is a challenge. Mr. Furnstahl replied that given the complexities of the cases OHSU frequently sees, our numbers are very good, but there are always some steps we can take to improve. Certain cases OHSU sees have a case mix of 25. OHSU's average is 2, and the national average is 1.

Ms. Tykeson asked, with the reduction in the number of uninsured, are we seeing that we are using more supplies? Is there a link there between those or not? Mr. Furnstahl replied that he does not think there is a link between the two. The complexity of the in-patients in our hospital, which runs very full, drives the use of supplies. It is not linked to number of insured patients, although the improvement in insurance coverage means we are covering more of these costs.

Mr. Allen asked, regarding the \$22 million transformation money, how much did we forecast that to be, and will it be easier in the future to figure out what our expectations can be from that? Mr. Furnstahl explained that this money is a pool, spread among all of the hospitals in Oregon, dependent upon whether they perform or not. So it is necessary to estimate both how we are performing and how everyone else is performing. For instance, if we perform better than other hospitals, we get more money. This year was relatively easy: All we had to do was report the data. Normally, the requirement is that you report the data the first year, and then the second year you have to improve the data, and the

bar gets raised appropriately as you go on. Based on the assumption that everyone reported that first year, we estimated we would get \$19 million. But, since some did not report, we wound up getting \$22 million. We got part of their share basically, and that is why it is a little hard. Next year it will be much harder because we have to preform, and we will have to measure that against how everyone else is performing. And one of the challenges is going from fee-for-service, paying for volume, to paying for value. Value is measured day-by-day. We know today all of the volume that was produced yesterday, so that is relatively straightforward. Value is the longer term metric that is often settled over time and increasingly it is in this pool where it is your performance relative to other people. And what that means is our revenue recognition will have a lag, and what we tend to be is conservative until we know the data.

Ms. Funkhouser asked if the metrics are uniform against all the DRG hospitals? Mr. Furnstahl replied that they are. Ms. Funkhouser asked if there are any considerations for the fact that we have such a high acuity? Mr. Furnstahl replied that they are a uniform set of metrics, already decided upon. Ms. Funkhouser asked if he was concerned about that given our acuity level? Mr. Furnstahl replied that no set of metrics is perfect and he thinks these are reasonable metrics.

Ms. Tykeson asked Mr. Furnstahl what do we pay on that tax? Mr. Furnstahl replied that Medicaid provider tax for the year is \$60 million, and we get more than that back. He explained that the Medicaid system is about a third funded by Oregon dollars and two-thirds funded by federal dollars. This money is matched in aggregate returns back. It is more than its share to the state of Oregon. We continue to grow. We are at almost 15,000 employees. We have added 2400 jobs since the recession.

Mr. Furnstahl spoke a bit about the balance sheet. On \$73 million of operating income, our consolidated net worth is up about the same, \$70 million. We have generated \$22 million of positive cash flow through March. That is up \$8 million from February and we usually have this pattern. With ACA, our net payment rate actually rose, over two years, about 11 percent. Some of this money will go to the bottom line, and some to cover costs of very sick patients. To the extent we are able to optimize that and reduce that growth above inflation, we will be able to capture more of that money and invest it in strategic priorities of the university. The clinical enterprise has five goals, one of which is to over time reduce the cost per case by 10 percent.

Ms. Pope asked if Mr. Furnstahl could describe the sort of top areas that he will be looking at in trying to get the cost down. Mr. Furnstahl replied that he thinks these will fall into three main areas: One is traditional budget management, where you have the same budget as last year, and find a way of absorbing management. Here we take the myriad of things we do here at OHSU, particularly at the administrative and support areas, can we then sort them to the highest value and to the lower value and stop doing some of the lower value ones that we have done traditionally and focus on the higher value ones. The second one is the clinical resource management. When we order tests and order drugs and order procedures, can we find less expensive ways of doing that? We have talked a little about our lean effort, OPEX. We have examples of when new cancer patients would come into the hospital, we used to have 42 separate steps, we now have reduced that to nine steps. It is that type of workflow design that has probably the greatest value. And the other thing to note is that these costs are unit costs, insofar as we continue to grow our number of units, that always helps enormously in a place that has fixed costs

like OHSU. That is hard when our hospital is running very full, but the optimization of the outpatient capacity is a really important piece of that. Those are the three big drivers.

Extending Credit Support for Variable Rate Debt

Resolution 2015-04-02 Variable Rate Bonds

Mr. Furnstahl said OHSU has \$750 million of long-term debt, that is within the total net worth of the university of \$2.5 billion. In 2012 we refinanced most of this debt. Before that, we were paying about \$37 million a year in interest, and after the refinancing, we are paying about \$23 million a year. That is money that was able to be deployed directly into our programs. At that time, we placed about \$186 million in variable rate debt. We try and secure longer rather than shorter dated terms to make that commitment as long as reasonably possible. We now have a structure where we will have between five and 12 years left with letters of credit and direct purchases from US Bank, Wells Fargo and JP Morgan. It extends the commitment further, 7.5 years into the future, which was not available previously. I would request approval of the Board of the resolution that is included within your materials.

Hearing no further questions or comments on the variable debt report, Mr. Waldron called for a motion on Resolution 2015-04-02, which approves the sale of bonds and revenue notes. Upon motion duly made by Ms. Pope, and seconded by Mr. Allen, the resolution was unanimously approved.

Board Survey Report

Mr. Waldron reported on the Board Survey Report. He summarized both the positive points as well as those areas needing focus and improvement. One outcome will be for the board secretary to work with the board president to identify possible board development opportunities. Also board members would like to increase the research and education strategy discussions at the board meetings, and focus on these two areas at an upcoming retreat. The board would also like to have more exposure to some of the leadership, not just the Wednesday morning group, but other leaders of the faculty and research and education, as well as the clinical enterprise. The board will also work with the Governor to increase diversity of board appointments.

Dr. Robertson took the opportunity to talk about the successful opening of the CLSB, mentioning that not only are people coming from all over the country to look at the functionality of the facility, but also the functionality of the programs and how they are actually integrated in the building. Mr. Waldron added that he has not heard anyone speak about it that isn't very praise-worthy of both the building and the way it is being operated. He thanked everyone involved.

Faculty Engagement

Resolution 2015-04-03

Mr. Waldron next brought up a new policy regarding the faculty senate. Increased communication with the faculty in general, and the faculty senate in particular, is desired by the board, and this new policy will provide feedback to the board prior to the adoption of the annual budget, as well as twice yearly meetings between board leadership and faculty leadership. Upon motion duly made by Mr. Allen and seconded by Ms. Pope, the motion unanimously passed.

Dr. Robertson mentioned that input from the faculty is phenomenally important, and he wants to make sure that the board is asking for input about the faculty just as much as they are asking about financing. This is one more way to get input from our stakeholders. And other ways will continue to be sought to get input from this diverse group of stakeholders that constitute OHSU. Dr. Robertson said OHSU has a board that over 20 years has proven its effectiveness by being a non-representative board, with the only interest of every member of the board being the interest of every citizen of the state of Oregon. Since OHSU will never have a board that truly could represent all of the stakeholders of OHSU, this will be one of a continuing effort by OHSU leadership that all those stakeholder voices be heard. Mr. Waldron thanked Dr. Robertson, adding that the board recognizes that OHSU is only as good as its faculty, and this is a nice step forward to increase communication.

Committee Assignments

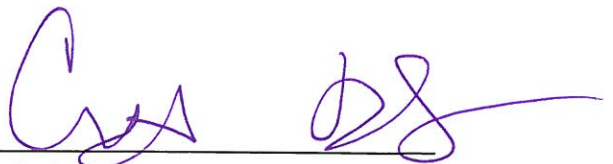
Resolution 2015-04-04

Mr. Waldron moved to the final agenda item, the adoption of the board committees for next year. Upon motion duly made by Ms. Tykeson and seconded by Dr. Toda, the motion was unanimously approved.

Adjournment

Hearing no further business, Mr. Waldron adjourned the meeting at 2:24 p.m.

Respectfully submitted,



Connie Seeley

Board Secretary



FY15 April Financial Results & Proposed FY16 Operating & Capital Budget

**OHSU Board of Directors
June 25, 2015**

Introduction to OHSU's Budget

- The differentiating feature of every great university is its faculty. In order to support scholarship and science—the creation and dissemination of new knowledge that defines what a faculty does and that is inherently speculative—each university must cultivate a means of “monetizing” the value of its faculty into ongoing revenue streams.
- Most American universities now do this either through teaching large numbers of tuition-paying undergraduates, or through securing major gifts and endowments, or through generating clinical revenues. Since OHSU has fewer than 3,400 students, it relies largely on a balanced mix of the second and third methods.
- Most years' budgets begin with a “crisis of revenue” – this year's begins with an “opportunity of revenue” from major philanthropy and Oregon's implementation of the Affordable Care Act, covering 500,000 Oregonians and bringing over \$2 billion of new federal dollars into the state's health care system.
- OHSU seeks to lean into, not away from, Oregon's health care transformation to secure and deploy its share of resources, leveraging partnerships across missions to drive innovation and improve health and well-being.

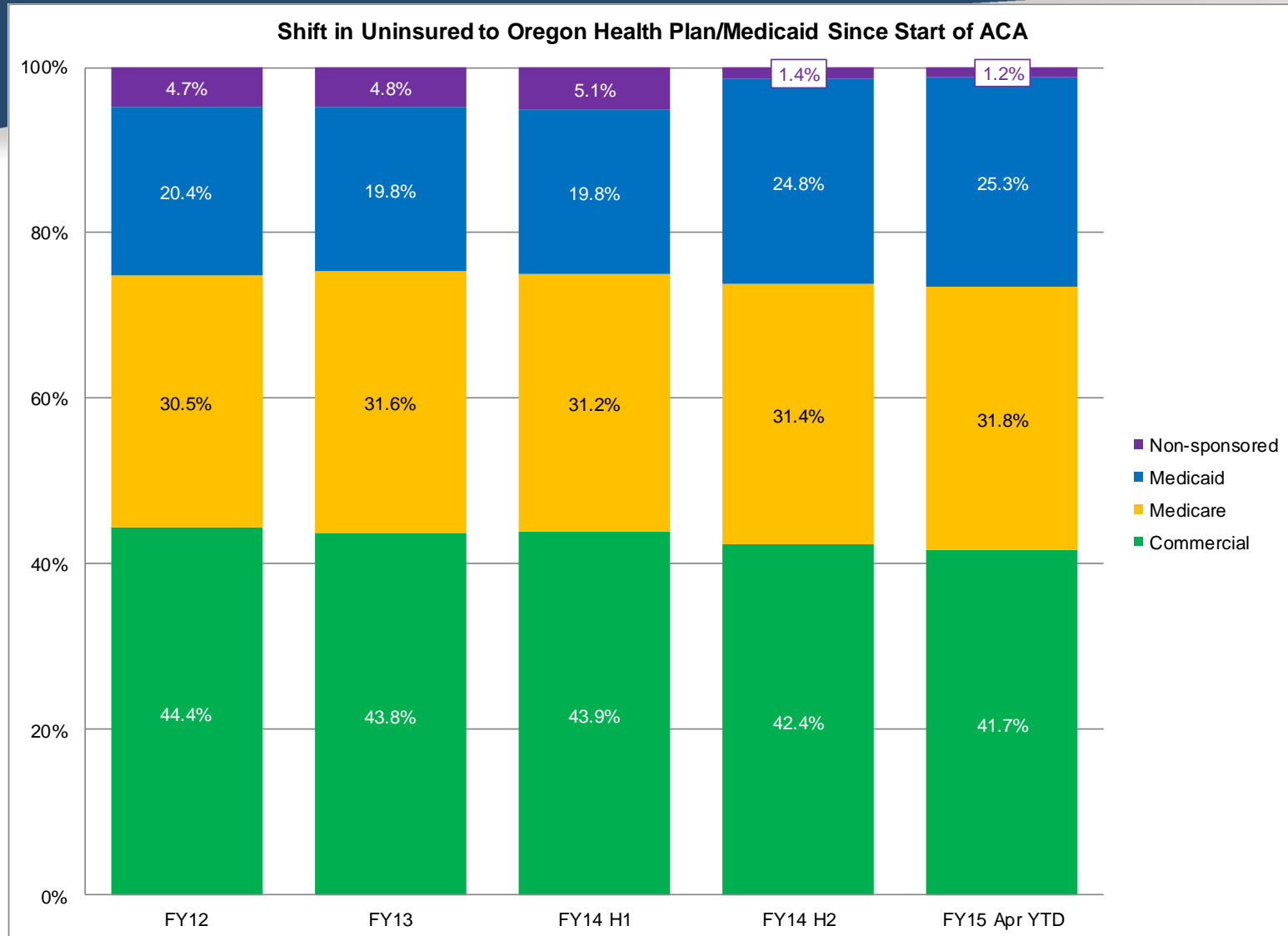
FY15 April YTD Financial Results

- OHSU operating income through the first 10 months of FY15 is \$83 million, \$26 million above budget and \$9 million more than last year.
- FY15 results include \$22 million from OHSU's share of the first year of the Hospital Transformation Performance Program (HTPP), a new value-based payment within Oregon's Medicaid coordinated care transformation, which is funded by a hospital provider tax.
- This year's HTPP revenue was accrued in March but received in cash in early May.
- Based on results through April, FY15 earnings are now estimated at between \$95 – 100 million, above the \$70 million budget and essentially even with FY13 and FY14.
- There is opportunity to improve income going forward to secure dollars for strategic investment, by better controlling year-over-year cost growth and bringing certain units back into balance.
- FY16 budget planning adopts this approach by holding most spending flat.

FY15 April YTD Earnings \$26M Over Budget

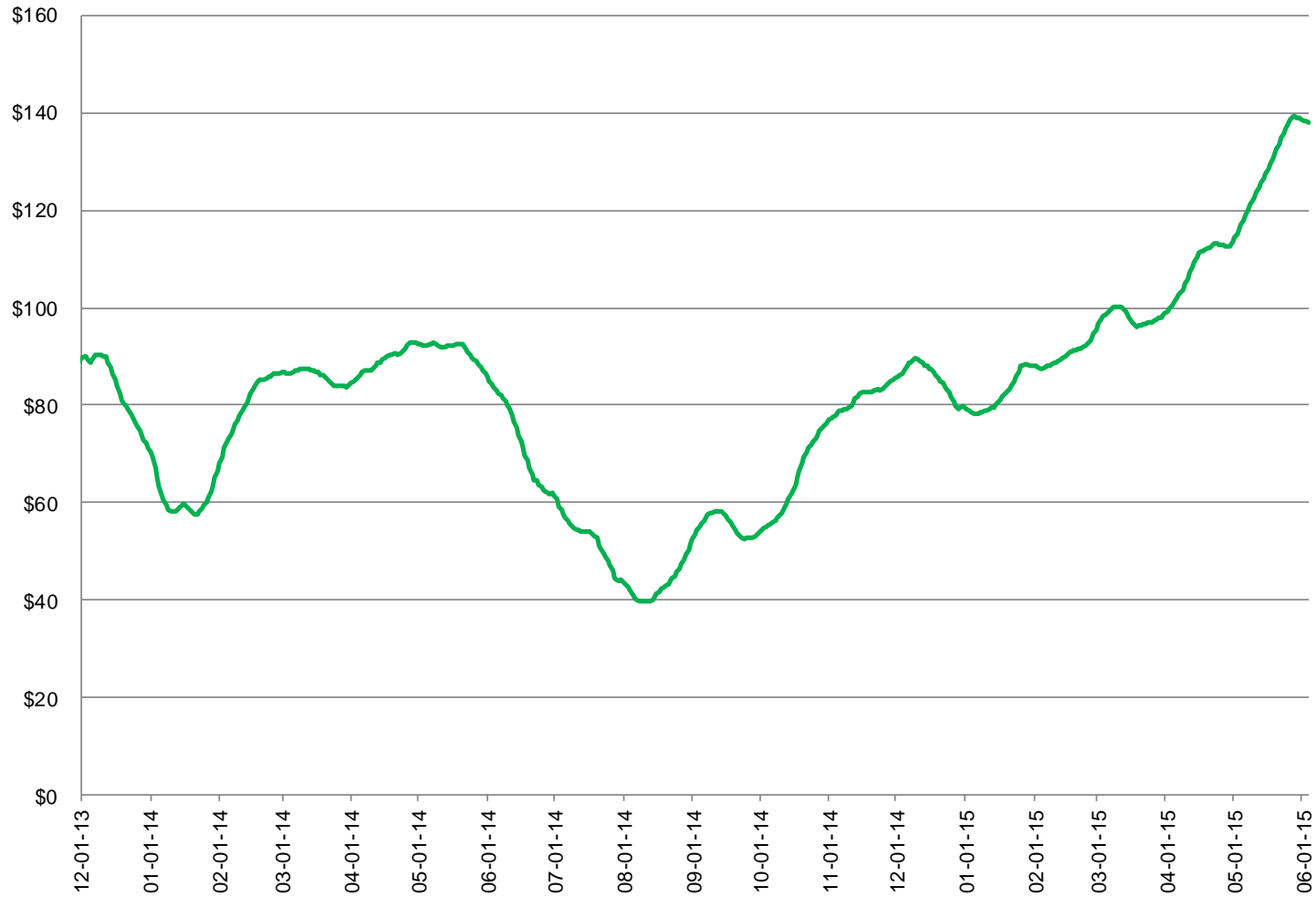
April YTD (10 months) (millions)	FY14 Actual	FY15 Budget	FY15 Actual	Actual - Budget	Actual / Last Year
Net patient revenue	\$1,358.9	\$1,429.2	\$1,492.5	\$63.3	10%
Grants & contracts	300.4	305.1	311.5	6.4	4%
Gifts applied to operations	50.9	62.8	60.0	(2.8)	18%
Tuition & fees	53.3	55.5	55.4	(0.1)	4%
State appropriations	29.5	27.9	27.9	0.0	-6%
Other revenue	78.1	96.2	78.5	(17.7)	1%
Operating revenues	1,871.1	1,976.7	2,025.9	49.1	8%
Salaries & benefits	1,106.6	1,183.8	1,179.0	(4.8)	7%
Services & supplies	519.0	545.5	568.1	22.6	9%
Medicaid provider tax	56.6	59.8	65.8	6.0	16%
Depreciation	95.7	108.1	107.3	(0.9)	12%
Interest	19.4	22.6	22.6	0.0	16%
Operating expenses	1,797.4	1,919.8	1,942.8	23.0	8%
Operating income	\$73.8	\$56.9	\$83.1	\$26.2	13%

ACA Expands OHP/Medicaid Coverage



OHSU Daily Cash Balances Trending Upward

Four-Week Moving Average of OHSU Overnight Cash Balances
Adjusted for Transfers To / From Longer-Term Funds (millions)



Key Components of Proposed FY16 Budget

- OHSU's FY16 budget targets:
 - 7% revenue growth to \$2.6 billion, led by nearly 3% patient activity growth and the first year of spending from the Knight Cancer Challenge
 - \$120 million operating income for 4.6% operating margin and 11% EBITDA margin
 - Continuing OHSU Tuition Promise program into a third year
 - Holding unit costs flat in the clinical enterprise as well as central administrative areas
 - \$650 million or 25% increase in net worth with completion of the Knight Challenge

Key Components of Budget (continued)

- OHSU's FY16 budget targets:
 - \$161 million annual capital budget, level with FY15 allocations, deployed 55% on infrastructure & replacement and 45% for new capacities
 - \$62.5 million for design completion and first quarter of construction of CHH-South and Knight Cancer Challenge research facilities
 - \$100 million in 30 year, fixed rate taxable bonds to improve liquidity, reimburse Moda surplus note investment and fund new corporate partnerships
 - \$240 million in variable + fixed rate tax-exempt bonds for CHH-South project
 - Total cash & investments rise substantially from bond proceeds, earnings and annual pledge payments on gifts

FY16 Budget Advances OHSU's Vision 2020

OHSU will partner to make Oregon a national leader in health and science innovation for the purpose of improving the health and well-being of all Oregonians.

Why Do We Partner?



Who Do We Partner With?

Science



Education



Health Care



Population Health



State of
Oregon

Philanthropy
30,000 donors
since July
2013

FY16 Budget Goals

- Between FY13 and FY15—the years spanning ACA implementation—OHSU's net patient revenue per case (adjusted for casemix and outpatient activity) rose from \$14,200 to \$15,800, or about 11% over two years.
- This aggregate rate growth is approximately 5% higher than inflation, an increment currently worth ~\$85 million annually, and seen at other Oregon health systems.
- The FY16 budget seeks to capture more of these dollars for strategic investments across missions, through implementing unit-cost reduction called for in the clinical enterprise strategic plan (-10% per case by FY20) and holding most operations costs flat against inflation across the University.
- Half of the operating income increment above our budgeted 3% margin would be dedicated to research and education investments on a one-year lagged basis.

OHSU Operating Margin Targets

3% or \$70 million “Base” level required to fund robust capital budget
(FY15 budgeted operating income on \$2.4 billion revenue)

4% or \$95 million “Target” level at 75th percentile of academic health centers
(achieved FY13 – FY15E)

5% or \$120 million “ACA+” level given 500,000 newly-insured Oregonians
(2/3 OHP/Medicaid expansion + 1/3 individual exchange
bringing >\$2 billion new federal dollars to Oregon)

Key Financial Goals: FY16 – FY18

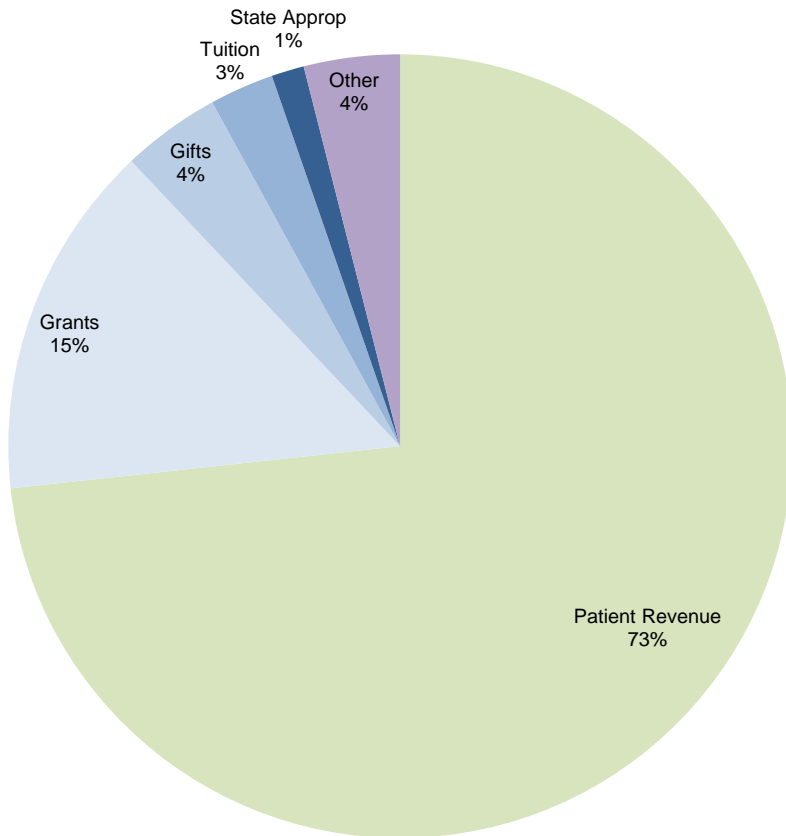
1. Hospital: Implement path toward -10% per case cost reduction in clinical enterprise strategic plan, through holding most hospital operations costs flat to drop more of incremental rate impact to bottom line
2. Central support areas: ensure overhead costs are part of the solution to goal #1, not part of the problem, by holding spending flat against inflation
3. Schools, institutes and centers: secure 3.5% operating margins on unrestricted revenues (after base research & education support from clinical enterprise) to fund contribution to capital – phased-in over 3 years for School of Medicine with corrective actions in Pediatrics, IDD and hemophilia programs
4. Strategic investments: accumulate OHSU-wide earnings above 3% / \$70 million minimum set in FY15 budget, to invest in subsequent year in support of key strategies that position OHSU as one of the great health sciences universities in the United States (but not to cover deficits)

FY16 Improvements in Earnings by Area

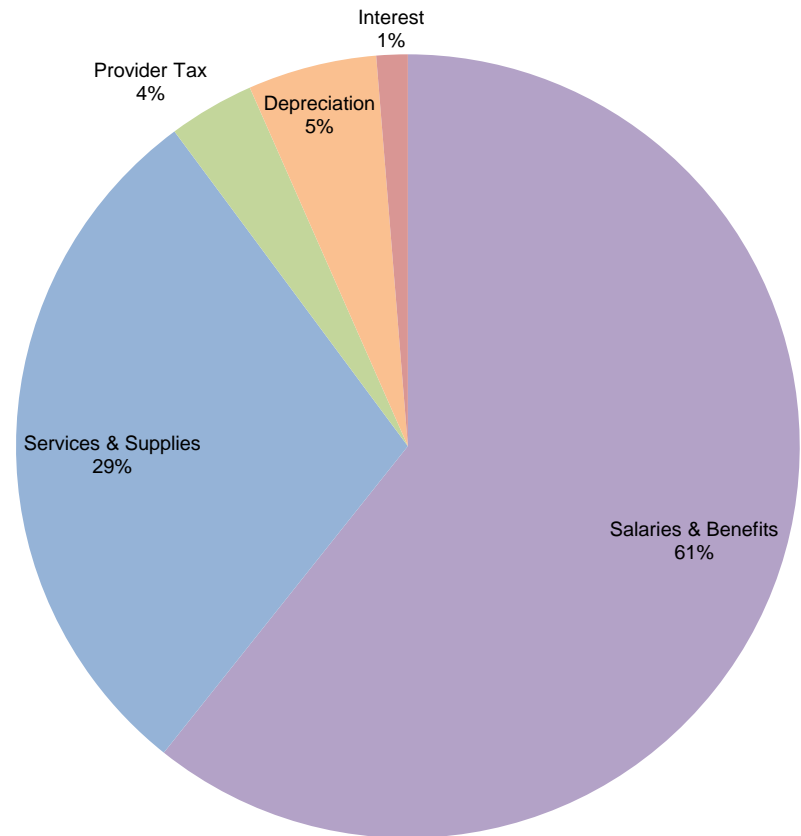
Components of Operating Income (millions)	FY15E	FY16B	Change
Hospital (pre-research & education support)	\$150	\$190	\$40
Base research & education support	(62)	(64)	(2)
School of Medicine unrestricted	4	18	14
Provost academic areas unrestricted	3	4	1
Central support / other unrestricted	(7)	(7)	0
Restricted funds (mostly grants)	8	6	(2)
Earnings > 3% applied to strategic initiatives		(13)	(13)
New taxable debt & other, net		(5)	(5)
Operating expense component of capital projects		(4)	(4)
Net contingency (timing of savings)		(5)	(5)
OHSU operating income	96	120	24
<i>3% operating margin threshold</i>	70	78	8
<i>Anticipated earnings > 3%</i>	26	42	16
<i>50% for academic investment in subsequent year</i>	\$13	\$21	\$8

Components of FY16 Revenue & Expense

FY16 Revenues (total = \$2,601 million)



FY16 Expenses (total = \$2,481 million)



FY16 Budgeted Operating Income at \$120M

OHSU before Foundations (millions)	FY14 Actual	FY15 Estimate	FY16 Budget	Budget / Estimate
Net patient revenue	\$1,645	\$1,787	\$1,906	7%
Grants & contracts	371	373	382	2%
Gifts applied to operations	67	72	106	47%
Tuition & fees	63	67	69	3%
State appropriations	35	33	35	6%
Other revenue	96	95	103	8%
Operating revenues	2,277	2,427	2,601	7%
Salaries & benefits	1,342	1,414	1,506	7%
Services & supplies	633	682	723	6%
Medicaid provider tax	69	79	88	11%
Depreciation	115	129	132	2%
Interest	23	27	32	19%
Operating expenses	2,182	2,331	2,481	6%
Operating income	\$95	\$96	\$120	25%

Decreasing Overhead as Share of Revenue

Allocated Costs (millions)	FY15E	FY16B	% Change
Space & insurance costs	\$75.1	\$78.8	4.9%
Information technology	30.2	32.9	8.9%
Academic administration	31.3	32.4	3.5%
General administration	41.3	38.7	-6.3%
Total OCA expense pool	177.9	182.8	2.8%
Total OHSU revenues	\$2,427	\$2,601	7.2%
OCA expense / revenue	7.3%	7.0%	

Outpatient Care Drives 3% Volume Growth

OHSU Patient Activity	FY14 Actual	FY15 Estimate	FY16 Budget	Budget / Estimate
Inpatient admissions	28,535	29,145	29,266	0%
Average length of stay	5.80	5.85	5.71	-2%
Average daily census	442	450	448	0%
Day/observation patients	34,096	35,497	38,419	8%
Emergency visits	45,611	47,445	47,416	0%
Ambulatory visits	776,918	813,395	873,426	7%
Surgical cases	30,414	31,273	33,545	7%
Casemix index	1.97	1.99	2.00	1%
Outpatient share of activity	43.2%	46.6%	47.4%	2%
CMI/OP adjusted admissions	102,512	108,641	111,381	3%

Keeping Unit Costs Flat in Health System

OHSU Hospital (millions)	FY15 Estimate	FY16 Budget	Budget / Estimate
Operating revenue	\$1,484	\$1,581	6.5%
Salaries & benefits	633	673	6.3%
Supplies & services	409	400	-2.3%
Subtotal - directly managed	1,042	1,073	2.9%
<i>CMI/OP adjusted admissions</i>	<i>108,641</i>	<i>111,381</i>	<i>2.5%</i>
<i>Directly managed cost / case</i>	<i>\$9,590</i>	<i>\$9,629</i>	<i>0.4%</i>
Faculty practice support	55	68	25.0%
Overhead cost allocation	65	66	0.7%
Insurance	13	15	14.6%
Provider tax	79	88	11.1%
Depreciation & interest	78	80	2.6%
Operating expenses	1,333	1,391	4.3%
Operating income (gross)	\$151	\$190	26.2%
<i>Academic support transfer</i>	<i>(62)</i>	<i>(64)</i>	<i>4.0%</i>
<i>Operating income (net)</i>	<i>\$89</i>	<i>\$126</i>	<i>41.6%</i>
<i>Gross operating margin</i>	<i>14.4%</i>	<i>17.7%</i>	
<i>Net operating margin</i>	<i>8.5%</i>	<i>11.7%</i>	

Practice Support Based on Benchmark Work

	FY15E	FY16B	% Change
<i>Profee revenue per wRVU</i>	\$78.92	\$76.16	-3.5%
<i>Practice cost per wRVU</i>	97.88	96.92	-1.0%
<i>Practice support per wRVU</i>	<u>\$18.96</u>	<u>\$20.76</u>	<u>9.5%</u>
Total wRVUs	1,484,816	1,547,688	4.2%
wRVU-based support (000)	<u>\$28,148</u>	<u>\$32,136</u>	<u>14.2%</u>
Leadership	6,793	8,191	20.6%
Clinical coverage	18,969	19,037	0.4%
Recruitment	790	1,500	89.9%
New areas included in method		7,500	
Total practice support	<u>\$54,700</u>	<u>\$68,364</u>	<u>25.0%</u>

Use of Clinical Earnings to Support Faculty

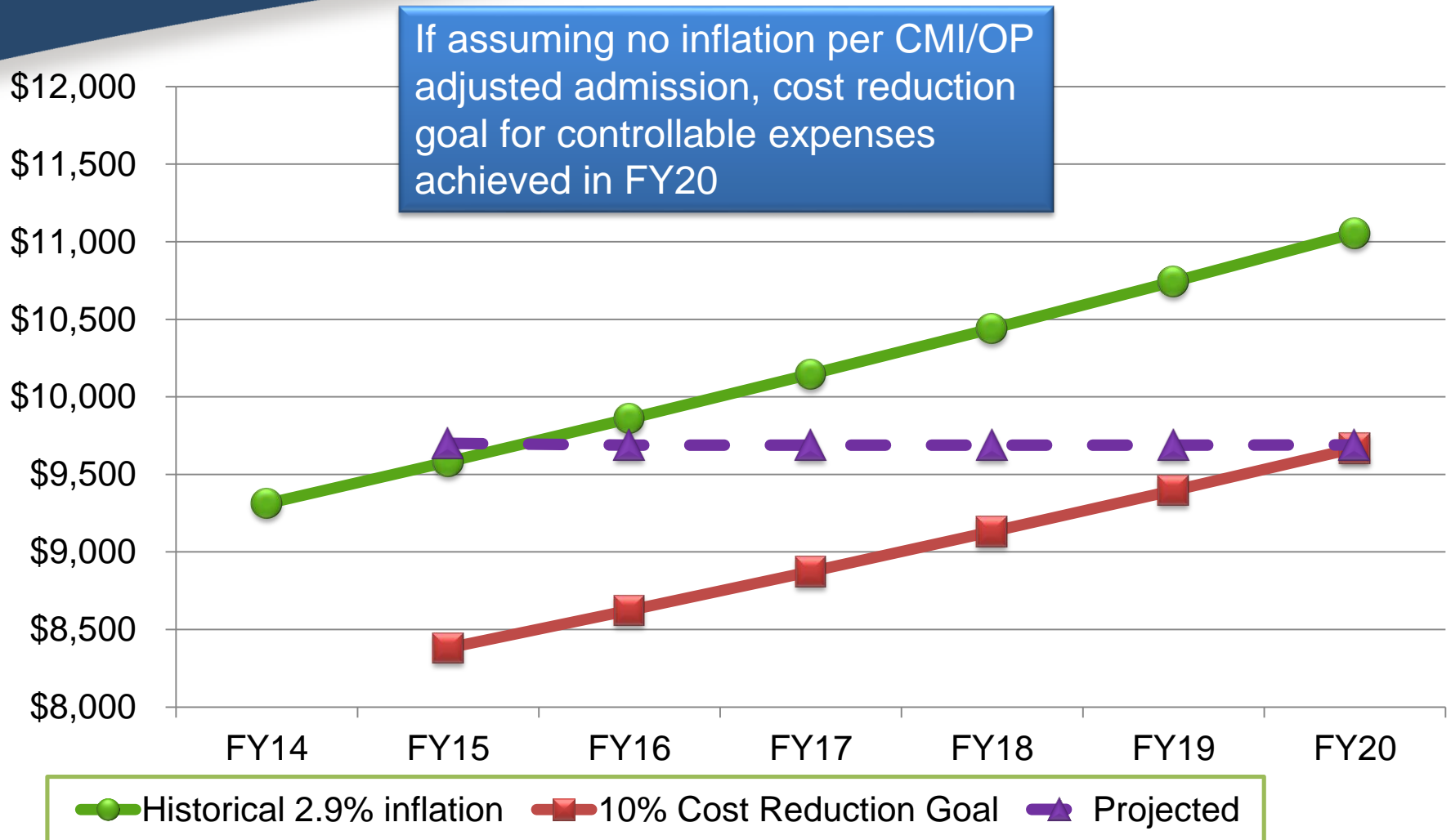
FY16 Use of Academic Support from Clinical Earnings (000)	
<i>Base support from clinical earnings:</i>	
School of Medicine research & education	\$32,108
Schools of Dentistry/Nursing research & education	2,177
Centers/Institutes research	9,778
Subtotal - supplement to grants & tuition	44,063
Support to academic capital budget	20,000
Total base support	64,063
<i>Research & education initiative pool:</i>	
Advanced imaging	2,250
Very-large-scale computing	2,000
Primate Center infrastructure	2,500
Simulation	1,000
Rural campus & ORPRN	750
Subtotal - capacities for faculty to do their best work	8,500
Neuroscience / VGTI search expense	375
Department of Medicine clinician scientists	2,000
Faculty career development / grant bridging	1,500
Subtotal - recruiting & developing faculty	3,875
Contingency for emerging opportunities	625
Total initiative pool (50% prior year earnings > 3%)	13,000
Grand total - academic support from clinical earnings	\$77,063

- Research faculty salary support
- Faculty innovation fund
- PhD education
- Education leadership roles
- Student pipeline & advising
- OCTRI/CTSA & IPCR
- OCA mitigation for T- / K- / F-grants
- Research core support
- Renovations for faculty recruitment
- Academic facility / IT infrastructure

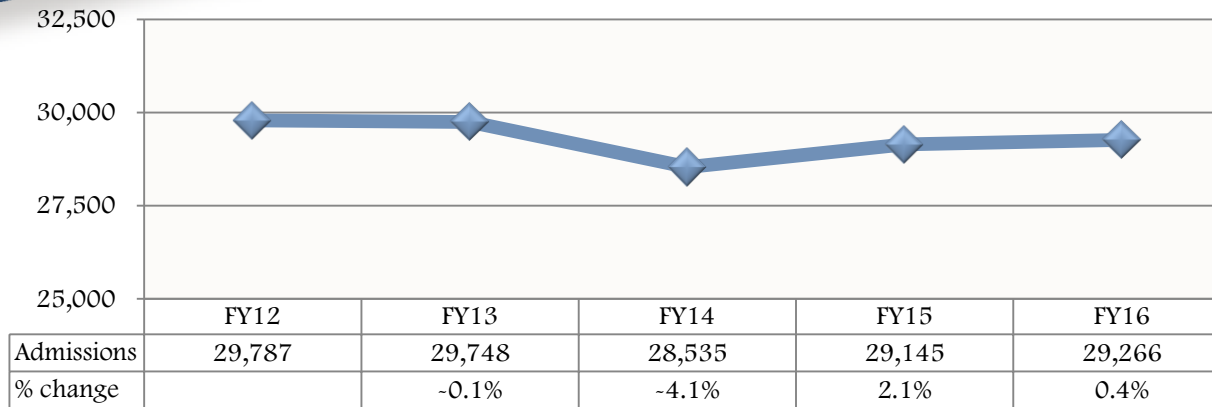
Clinical Enterprise Strategic Plan

- Hospital's FY16 budget is prepared in context of the **five goals** in OHSU's clinical enterprise strategic plan:
 1. OHSU will be a national leader in **clinical quality, patient safety & patient experience**
 2. OHSU will be a nationally recognized **specialty provider of choice**
 3. Clinical enterprise will have **population health capabilities** across geographies & full spectrum of care
 4. OHSU will achieve a **reduction in cost of care** across the clinical enterprise
 5. **Sustainable financial model** for OHSU missions as they intersect with clinical enterprise

-10% Target for Controllable Expense / Case

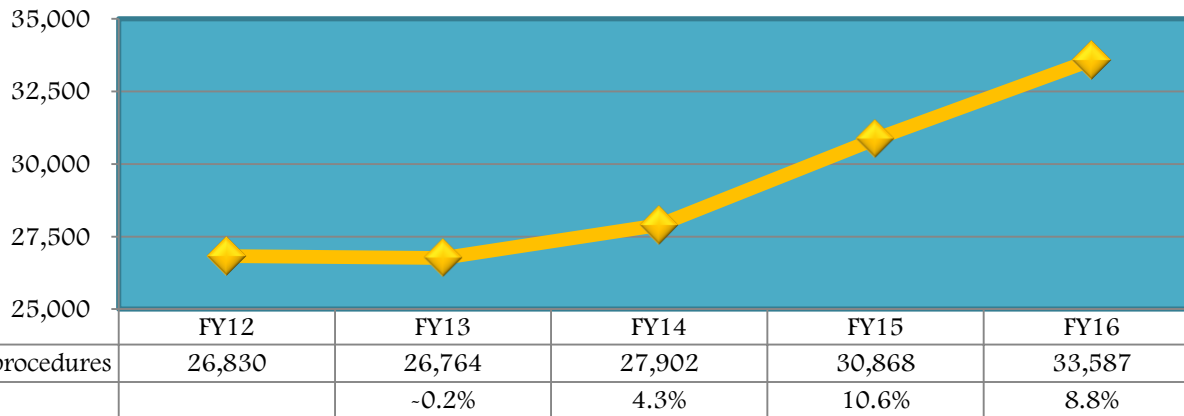


Volume Trends: Shift to Outpatient



INPATIENT

Average margin =
\$12,500 per case
with minimal growth
in FY16



OUTPATIENT PROCEDURES

Average margin =
\$2,600 per case
with 9% growth in
FY16

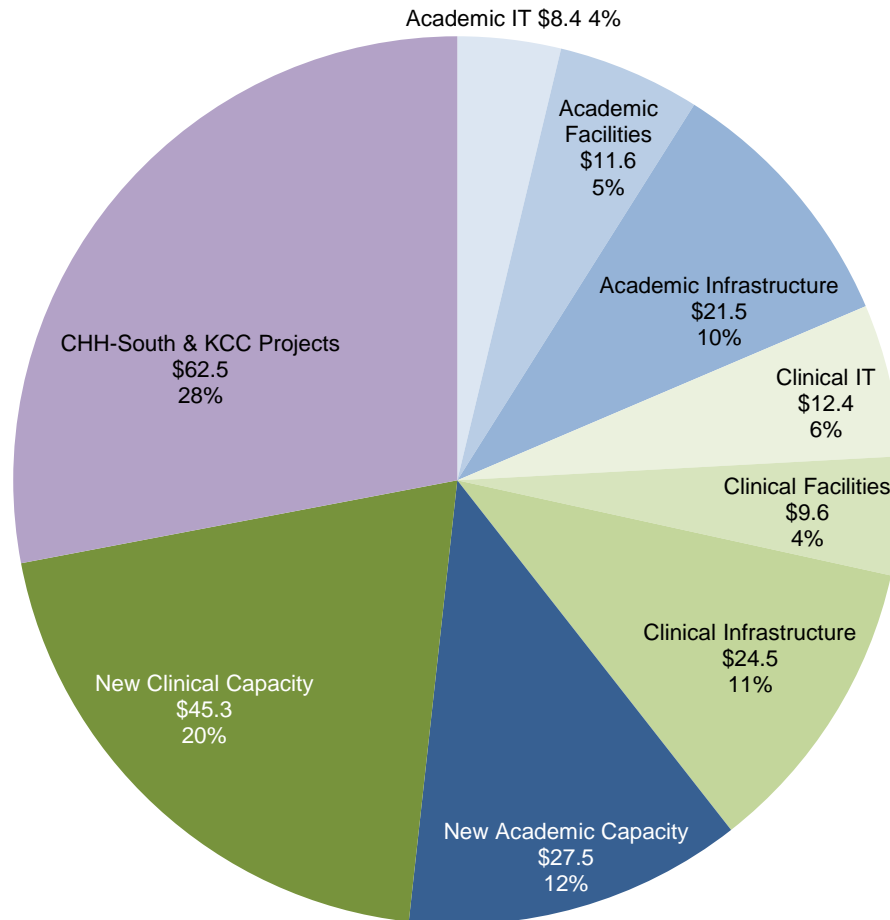
Clinical Enterprise Risks & Challenges

- Execution of key **partnerships** and projected value capture
- Speed of “**population health**” execution
- **Bed Capacity** management
- **Payment** Transformation
 - Ability to maintain **Managed Care rate** increases
 - **Shift in payor mix** to public payers
- Speed of management of **shift from inpatient to outpatient**
- Achieving long run **labor competitive** cost trends
- **Faculty** stability with wRVU funding model



Total Capital at \$223M with CHH-S / KCC

Distribution of FY16 Capital Spending (total = \$223.3 million)



Net Worth Up \$653M With Philanthropy

OHSU with Foundations on Equity Method (millions)	6/30/14 Actual	6/30/15 Estimate	6/30/16 Budget	FY16B Change
Operating cash & investments	\$587	\$607	\$764	\$157
Quasi-endowment funds	92	88	90	2
Moda note / corp partnerships		50	75	25
	<hr/>	<hr/>	<hr/>	<hr/>
OHSU cash & investments	680	745	929	184
Trustee-held bond funds	29	31	31	1
CLSB/CHH-S project funds	17	4	203	198
	<hr/>	<hr/>	<hr/>	<hr/>
Total cash & investments	725	780	1,163	383
Net physical plant	1,517	1,523	1,615	92
Interest in Foundations	829	928	1,420	493
Long-term debt	(758)	(736)	(1,058)	(322)
Working capital & other, net	64	81	89	8
	<hr/>	<hr/>	<hr/>	<hr/>
OHSU net worth	2,376	2,576	3,229	653
Operating income				120
OHSU investment return				16
Gain (loss) from Foundations				493
State KCC grant & other, net				25
				<hr/>
Total change in net worth				\$653

2015 – 2016 Plan of Finance

- OHSU's plan of finance is designed to:
 - Solidify and extend credit and bank support
 - Provide maximum flexibility for strategic opportunities
 - Fund capital projects while preserving balance sheet strength.
- Plan components include:
 - Replacing existing credit facilities with long-dated letter of credit and bank loans to significantly increase length of commitment (Board approved in April and completed in May)
 - Pending Board approval, issuing \$100 million in 30-year taxable fixed rate bonds to enhance liquidity and fund partnerships in population health and science
 - Potentially restructuring existing interest rate swaps (under study for decision later in 2015)
 - Issuing an anticipated \$240 million in tax-exempt new money for the CHH-South “ambulatory hospital” project in 2016, with possible refinancing of existing tax-exempt debt if economic.

Why Issue \$100M in Taxable Debt Now?

- Over the past 5 years, OHSU has refinanced most of its debt while significantly improving financial performance.
- Debt as a percentage of net worth has fallen from 43% to 30%, and interest expense is down \$10 million per year, falling from 2% to 1% of total revenues.
- As OHSU advances Vision 2020, especially with corporate partners in population and in science, we have the opportunity to co-invest with companies, as well as co-locate staff working on joint initiatives.
- Such uses are not always appropriate for tax-exempt debt, which is typically for capital projects used by public or not-for-profit entities. While we could deploy our own cash balances for these partnerships, this would lower days cash on hand.
- Recent extraordinary conditions—historically low interest rates, a growing market for high-quality, long-maturity taxable debt, and compression between tax-exempt and taxable interest yields, along with the much greater flexibility of use—have resulted in a quarter or more of new higher education / health care bond issuance being taxable.

Why Issue Taxable Debt Now? (continued)

- Taxable debt should be thought of as a long-term or nearly-permanent part of the University's capital structure.
- OHSU's taxable debt would be priced off long Treasury yields, which have already begun to rise off historic lows, and most forecasts anticipate higher rates later this year. Currently 30 year Treasury rates are lower than 87% of the time since 2000.
- Half of the proposed \$100 million would be returned to OHSU-held investments to restore balanced mutual funds deployed in December for the Moda surplus note.
- The remaining half would be held for future corporate partnerships in population health, advanced imaging, very large scale computing, and similar science initiatives subject to Board approval, with the option to apply unused portions toward the bond issue for CHH-South planned for next year and possibly other general public corporation or other public purposes.
- This CHH-South option would serve to mitigate interest rate risk and increasing flexible use of space in the new facility for non-tax exempt purposes.

Oregon Health & Science University

DRAFT

Academic Year Tuition & Fee Book

2015-2016

Prepared by:
The Office of the Registrar

June 25, 2015



Tuition & Fee Book

Academic Year 2015-2016

Oregon Health & Science University

The tuition and fee policies as outlined in this document apply to the Summer, Fall, Winter and Spring terms of the 2015-2016 academic year. All prior academic year *Fee Books* are repealed except as to rights or obligations previously acquired or incurred thereunder.

I. Definitions

A. Full-Time Student

A full time undergraduate student is one who is enrolled for at least 12 credits and not more than 18 credits per term. A full time graduate/professional student is one who is enrolled for at least 9 credits and not more than 16 credits per term. Students may be charged Mandatory Enrollment Fees for all credits enrolled for during a term.

B. Mandatory Enrollment Fees

Mandatory Enrollment Fees are those tuition and fees that a student is assessed for which the student has no discretion not to pay. Mandatory Enrollment Fees include, but are not limited to: Tuition, University Fee, Major Medical Insurance, Dental Insurance, Student Council Fee and others. There may be differentials for some tuition or fees based on residency, campus location or other criteria. Mandatory Enrollment Fees are set by the OHSU Board of Directors.

C. Over-Time Student

An over-time student is one who is enrolled in more than the maximum credits designated as full-time (more than 18 credits for undergraduate students; more than 16 credits for graduate students).

D. Part-Time Student

A part-time student is one who is enrolled in less than the minimum number of credits per term required of a full-time student (fewer than 12 credits for undergraduate students; fewer than 9 credits for graduate/professional students).

E. Resident Student

A resident student is one who meets the criteria of [OHSU Residency Policy 02-10-010](#). Students should reference the OHSU Residency Policy to determine if they qualify for the resident student tuition rate.

II. Tuition Policies

A. Tuition Differentials

Resident and non-resident tuition differentials may apply to students enrolled in certain academic programs.

A. Advance Tuition Deposit

OHSU determines the student population for whom a tuition deposit will be required. The amount of the deposit varies and is set by the academic program.

B. Tuition Refund Schedule

Refunds of tuition and/or fees may be granted to students in accordance with the refund schedule on file with the university Registrar's Office. This schedule shall be prepared annually. There is no refund for Employee Tuition Benefits. No refunds are issued for fees after the 100% refund date.

Notification of program Withdrawal or Leave of Absence is required and can be completed by submitting a "Withdrawal/Leave of Absence" form available from the university Registrar's Office. Students who believe that their circumstances warrant exceptions to the published refund schedule may submit a letter of appeal to the university Registrar.

The following uniform refund schedules are established for all schools:

<i>Starting from the Day on Which Classes Begin for the Term:</i>	<i>Percent Refund</i>
Complete or Partial Withdrawal Before the Close of the 11 th Day After Classes Begin for the Term	100%
Before the Close of the 25 th Day After Classes Begin for the Term	50%

The refund for course load reduction applies to all students reducing credit hours except for those credit hours within a tuition plateau. Any student with orders to report for active military duty may withdraw at any time during the term and receive a full refund. If sufficient course work has been accomplished and the instructor feels justified in granting credit for the course work completed, credit may be granted and withdrawal proceedings are unnecessary.

C. Non-Resident Tuition Exemption for School of Nursing Programs

Non-resident undergraduate or graduate nursing students who are residents of counties

adjacent to the Oregon border in California, Idaho, Nevada or Washington pay resident tuition rates. Non-resident undergraduate nursing students on the La Grande campus will also pay resident tuition rates if they are residents of Idaho or Washington and have completed at least one term at EOU while paying the EOU resident tuition rate, prior to entering the OHSU undergraduate nursing program. Students eligible for either of these exemptions must notify the Registrar's Office by the first day of the academic term. Tuition for terms prior to the date the student notifies the Registrar's Office will continue to be charged at the non-resident rate.

Non-resident PhD and post-master's DNP nursing students from states participating in the Western Regional Graduate Program of the Western Interstate Commission for Higher Education pay resident tuition rates. Participants include Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, North Dakota, South Dakota, Utah, Washington, Wyoming and the Commonwealth of the Northern Mariana Islands. Students eligible for this exemption must notify the Registrar's Office by the first day of the academic term. Tuition for terms prior to the date the student notifies the Registrar's Office will continue to be charged at the non-resident rate.

D. OHSU Tuition Promise

2013-2014 OHSU Tuition Promise: All students enrolled during 2013-14 in one of the eligible degree programs listed below will not incur a tuition rate increase over their 2013-14 tuition rates during the remaining years of their degree (as long as the degree is completed within the normal timeline as specified by the degree program).

2014-2015 OHSU Tuition Promise: All new students enrolled during 2014-15 in one of the eligible degree programs listed below will not incur a tuition rate increase over their 2014-15 tuition rates during the remaining years of their degree (as long as the degree is completed within the normal timeline as specified by the degree program).

2015-2016 OHSU Tuition Promise: All new students enrolled during 2015-16 in one of the eligible degree programs listed below will not incur a tuition rate increase over their 2015-16 tuition rates during the remaining years of their degree (as long as the degree is completed within the normal timeline as specified by the degree program).

Students eligible for the OHSU Tuition Promise must be enrolled in one of the following degree programs at any OHSU campus:

- *MD*
- *DMD*
- *Master of Physician Assistant Studies*
- *Master of Clinical Dietetics*
- *Master of Science in Clinical Nutrition*
- *Master of Nursing in Adult Gerontology Acute Care**
- *Master of Nursing in Nurse Anesthesia*
- *Master of Nursing in Family Nurse Practitioner*
- *Master of Nursing in Nurse Midwifery*

- *Master of Nursing in Pediatric Nurse Practitioner**
- *Master of Nursing in Psychiatric Mental Health Nurse Practitioner*
- *Bachelor of Science in Radiation Therapy*
- *3-Year OCNE Bachelor of Science in Nursing (excluding RN/BS)*
- *Accelerated Bachelor of Science in Nursing*

**Students that matriculated into these programs prior to the 2015-2016 academic year will be charged the 2014-15 OHSU Tuition Promise rate starting in the 2015-16 academic year.*

While the tuition rate for eligible students will remain the same under the OHSU Tuition Promise, other expenses such as fees, books, supplies or equipment charges are subject to change.

If a student exhausts the specified length of the degree program, they will no longer be eligible for the OHSU Tuition Promise and their tuition rate may increase at that time. Students wishing to request an extension of their OHSU Tuition Promise may submit an appeal by emailing Cherie Honnell, Vice Provost for Enrollment Management & Academic Programs, at honnellc@ohsu.edu. Appeals are reviewed on a case by case basis. A student dissatisfied with a decision made by the Vice Provost for Enrollment Management & Academic Programs may, within ten (10) days of the date of the notification of the decision, appeal the decision to the OHSU Provost. An appeal to the OHSU Provost shall be in writing only. The Provost's decision shall be final.

III. Fee Policies

A. Application Fee

An Application Fee will be assessed to all students seeking formal admission to an OHSU academic program. This includes those students advancing from an undergraduate program to a graduate program as well as all international students. An application will not be evaluated until the Application Fee has been received. The amount of the Application Fee varies and is set by the academic program. Application Fees are not refundable.

If a student applies to enroll for fall, winter, or spring term of an academic year but delays enrollment until a subsequent term, a second Application Fee will not be assessed if enrollment occurs within that academic year. If enrollment is delayed until the subsequent academic year, a second Application Fee will be assessed.

B. Other Fees, Fines, and Service Charges

- | | |
|--------------------------|---------|
| 1. Late Registration Fee | \$35.00 |
| 2. Returned Check | \$40.00 |

A returned check charge will be assessed in the amount of \$40.00. Also, a late registration fee may be assessed if the returned check was used to pay tuition/fees.

3. Grade Transcript Fee

Official copy, ordered 48 hours in advance	\$15.00
Official copy, same day service	\$20.00
Faxed official copy	\$20.00

If priority delivery service is requested, there will be an additional \$20 charge.
4. Certified Copies of Diplomas \$10.00
5. Duplicate Diploma \$50.00
6. Medical Student Dean's Letter \$10.00
7. Archived Records Retrieval Fee \$20.00
8. Copies of Education Records
(except as exempted for release by *Family Educational Rights and Privacy Act (FERPA)* and university *Student Records Policy*)

1 st Page	\$ 5.00
Each Additional Page:	\$ 1.00
9. Examination for Credit

Institution-administered examination for credit, per course examination, regardless of credit hours involved. Up to \$40.00
10. Graduation Fee \$50.00
11. School of Nursing Transcript Evaluation Fee \$25.00

A fee will be assessed for a preliminary evaluation of transcripts, prior to submission of an application for admission, for the purpose of determining whether completed coursework would fulfill prerequisites required by the School of Nursing for admission to the baccalaureate nursing program. A preliminary transcript evaluation is not a requirement of the School of Nursing application process.

The final determination of whether an applicant's completed coursework meets the admission requirements may be made only by the Registrar's Office after an application for admission has been submitted.
12. International Student Fee, per term \$50.00

International students on F1 or J1 visas will be assessed a fee to support the tracking requirements associated with the international student SEVIS system.

13. Nursing Graduate Program Enhancement Fee, per term \$1250.00

A fee is assessed to graduate nursing students who have been determined, based on admissions criteria, to require specialized support services in areas of language competencies (reading, writing, listening, speaking) and orientation to graduate academic life. Students' needs for such services are evaluated during the admissions process.

14. Regional Campus Fees for Undergraduates in Nursing

Students in the undergraduate nursing programs at Eastern Oregon University, Oregon Institute of Technology, Southern Oregon University, or Western Oregon University will pay campus fees directly to those institutions. Students should contact the Regional University where they will be located for the specific fee amounts.

IV. Other Policies

- A. Student Health Insurance Plan

OHSU requires students to carry major group health/dental insurance. For students with other major group health coverage, an insurance waiver application is available. For waiver application information and deadlines, refer to the JBT Health & Wellness Center website (www.ohsu.edu/jbt-health).

- B. Institutional Authority to Adjust Charges

OHSU institutional officials may make tuition refunds and waive fines or charges that result from circumstances beyond the student's control or are for the best interest of the institution. Institutional officials may also add and revise tuition or fee amounts established herein, for program changes or additions made after the adoption of this *Academic Year Fee Book* by the Board.

- C. Charges for Services to Non-students

This *Academic Year Fee Book* does not identify charges for services that are continuously offered to persons other than students.

- D. Courses Taken at Other Institutions

Students enrolled in coursework at an institution other than OHSU (regardless of whether the coursework is required by OHSU) are responsible for all costs (tuition and other fees) charged by that institution.

E. Auditors

Students enrolled in a combination of credit and audit courses or audit only will be assessed for the total credits under the tuition and fee schedule appropriate to their classification and residency.

F. Employee Tuition Benefit Program

An Employee Tuition Benefit program is available for some OHSU academic programs. A listing of Employee Tuition Benefit eligible programs, current policies and the online [Application for Employee Tuition Benefit](#) form are available on the Human Resources website.

V. Accounts Receivable Policy

A. Student Responsibilities

At the time a student formally registers for classes, either by signing and submitting the appropriate registration forms to the Registrar's Office, or by registering online, the student agrees to:

1. Assume financial responsibility for any tuition and fees as posted to his/her student account.
2. Abide by the official school policies regarding withdrawal from the University.
3. Assume the responsibility for understanding the University's official policy concerning schedule changes and satisfactory academic progress which may result in additional charges or the loss of eligibility for certain types of financial aid. It is considered the student's responsibility to understand how any changes to financial aid eligibility can affect his/her financial situation.
4. Make sure OHSU student records are current and advise of any demographic changes such as name, address, telephone and email.

B. Payment Due Dates

Accounts Receivable approved financial arrangements must be in place one week after the start of classes for each program. Electronic Bills, or E-Bills, for tuition and fees are the official student billing method for OHSU. E-Bills are sent out on the second Tuesday of every month.

Students that do not receive an E-Bill can confirm account charges by accessing the online [Student Information System](#) or by calling the Baird Hall Cashier's Office at (503) 494-8243. All students must pay on time even if an E-Bill is not received. Students should refer to the billing statement for the last day to pay tuition and fees in full before late charges are assessed.

C. Payment Options

Payment to student accounts can be made using cash, check, credit card (Visa/MasterCard) in person, by US mail or online through the Institutional Student Information System which is a secure payment option. Any applicable financial aid will be applied to accounts, with the remaining balance to be paid by one of the methods listed above.

D. Refunds

A credit balance on a student account is created when financial aid, payments and other credits exceed total charges due. A refund of the credit balance will be processed and returned to the student using the following methods:

Direct Deposit – Direct deposit is the electronic transfer of funds into a checking or savings account. It is the quickest, safest and most convenient way to receive a refund. To elect to have refunds direct deposited, students must complete the OHSU Student Direct Deposit Authorization Form, attach a blank check and fax, mail or bring the form to the OHSU Baird Hall Cashier's Office.

Credit Card – If payment is made on a student account by credit card, then credit must be issued to the original credit card according to Visa/MasterCard regulations.

Check – Refunds in the form of a check can be picked up at the Baird Hall Cashier's Office, sent directly to the student's address on file or express mailed to another OHSU campus for pickup. Please be aware that there is a 24 hour hold on all checks before they can be disbursed. The refund check will be delivered to the student upon presentation of a valid student ID. If a valid student ID is not available, students will be asked for two of the following: driver's license or other valid state or federal ID, student ID number, date of birth or social security number. The student will then be asked to verify the current address.

E. Payment Plans

The OHSU Student Accounts Office (Formerly the Bursar's Office) is responsible for billing and collection of tuition and fees. It is the goal of this office to work with students to resolve outstanding balances. It is understood that students and their families may experience financial difficulties and it is important for those types of issues to be communicated to the Student Accounts Office at an early stage. The Student Accounts Office offers payment plans to assist with the budgeting of the cost of education. However, those plans are only available to students prior to the due date of their bill. Students are urged to contact the Student Accounts Office prior to the due date of the bill to discuss any financial concerns that they may have. The earlier the issue is discussed the more tools are available to assist students in resolving the situation since **all** tuition/fees accrued in one term must be paid before registering for another term.

F. Educational Promissory Note

OHSU offers extended payment terms utilizing an Educational Promissory Note for unpaid tuition and fees. The Educational Promissory Note is a mandatory note and a new note is required every year.

G. Contractual Agreements

OHSU recognizes that employers or a third party may pay tuition and/or fees on behalf of students. These agreements are made between the student and the employer or third party. Students are responsible for meeting the requirements of the agreement such as grades and for any charges not paid by the employer or third party. Contractual agreements received from a government agency are between the US Government and OHSU. OHSU accepts only third party contracts that are on official company letterhead and include the following billing information: student's name, tuition quarter and amount paying.

H. Collection Actions

If the balance is not resolved by the due date, a financial hold will be placed on the account. Other collection actions on delinquent accounts include:

1. Prevention of students from registering for classes
2. Hold on registration, official transcripts, licensure certification, degree verifications, diplomas and grades
3. Debt referral to third party collection agency
4. Tax off-set of debt against State of Oregon Income Tax Refund (Oregon residents only)
5. Accounts with unresolved balances are subject to additional collection charges, legal and attorney fees.
6. Litigation against debtor.

I. Withdrawals

Should a student withdraw during the term, all refunds are to be applied to any outstanding balance, and any remaining balance will immediately be due and payable.

J. Delinquent Accounts

Students should refer to the billing statement for the last day to pay tuition and fees in full before late charges are assessed. If payment is not paid in full by the stated due date, then the following policies may apply.

1. Interest will be assessed at a rate of 1.5% per month of the outstanding balance.

2. All accounts over 121+ days delinquent and not making regular monthly payments will be sent to Oregon Department of Revenue or an outside collection agency.
3. Accounts referred to an outside collection agency will be subject to additional collection charges, legal and attorney fees. After an account has been turned over to a collection agency, OHSU can no longer accept payment on this account and students must remit payment directly to the agency.
4. OHSU reserves the right to recover all costs involved with the collection and/or litigation of delinquent accounts.
5. OHSU is a non-profit institution of higher learning. Student receivable accounts are considered to be educational loans offered for the sole purpose of financing an education and are not dischargeable in bankruptcy proceedings.
6. OSHU reserves the right to demand payment in the form of a certified check, money order, cash or credit card in the event that one or more checks have been returned unpaid for any reason.

Refer to the [Student Accounts Office](#) website for additional information.