



OREGON HEALTH & SCIENCE UNIVERSITY BOARD OF DIRECTORS MEETING

September 28, 2017

1:30 pm– 3:30 pm

CLSB 3A002

1:30 pm	Call to Order/ Chairman's Comments President's Comments Approval of Minutes (Action)	Maria Pope Joe Robertson, MD Maria Pope
1:45 pm	FY17 Unaudited and FY18 August Financial Results	Lawrence Furnstahl
2:05 pm	Report from Faculty Senate	Derick Du Vivier, MD, MBA Kristin Lutz, PhD, RN
2:25 pm	Vollum Institute History & Overview	Marc Freeman, PhD
2:45 pm	FY18 Unified Goals	Dan Forbes
3:05 pm	Committee and Charter Changes (Action)	Maria Pope
3:15 pm	Recognition of service: Ken Allen (Action)	Maria Pope
3:20 pm	New Business; Adjournment	Maria Pope

Oregon Health & Science University
Board of Directors Meeting
June 29, 2017

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 Collaborative Life Sciences Building, 2730 SW Moody Road, room 3A002, 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

Board members in attendance were Maria Pope, Chair, presiding; David Yaden, Vice-Chair; Prashant Dubey; Frank Toda; Joe Robertson; Wayne Monfries; Ana Brar and Amy Tykeson. Also present were Lawrence Furnstahl, Chief Financial Officer; Connie Seeley, Secretary of the Board; other OHSU staff members and members of the public.

Call to Order

Maria Pope called the meeting to order at 1:30 p.m.

Chairwoman of the Board's Comments

Ms. Pope introduced Ana Brar, our new board member. Ana is a second year medical student. Ms. Pope also acknowledged the end of one budget year and the beginning of the next, and that this past year has been challenging. She thanked the employees of OHSU who have done with less to hit our budget goals, and mentioned that going forward we are going to have to remain judicious with our spending due to the uncertainty of the environment.

President's Comments

Dr. Robertson spoke on the following topics:

- ***CLSB***
This is the third anniversary of the opening of this building and it continues to amaze at how functional and effective it is.
- ***School of Public Health***
The School of Public Health is now accredited, so we are the OHSU/PSU school.
- ***Transformed***
Author Bill Graves, along with collaboration from Dr. Peter Kohler, wrote the book Transformed, about the 1995 public corporation Senate Bill 2. The author gave his review of the book last evening at the Oregon Historical Society.
- ***Commencement***
Dr. Robertson gave a breakdown of how many graduates from each of the academic programs there were at this year's commencement ceremony.
- ***Leadership Transitions***
 - Dr. Sharon Anderson is the new Dean, School of Medicine

- Dr. Elena Andresen is the new Provost
 - Dr. John Hunter is the new Chief Clinical Officer
 - Dr. Mitch Wasden is the new Executive Vice President, Hospital Administration
 - Alice Cuprill-Comas is the interim general counsel
 - Rebecca Auman is the interim Foundation president
 - Dr. Mike Heller will lead the technology effort at the Cancer Early Detection Advanced Research Center
 - Dr. Lisa Osborne Smith is the nurse anesthesia program director at the School of Nursing
- ***OHSU Well Positioned***
 Dr. Robertson believes that OHSU is as well positioned as it has ever been, and he feels OHSU stands ready to fulfill its mission of improving the health and wellbeing of all Oregonians.

Approval of Minutes

Ms. Pope asked for approval of the minutes from the April 6, 2017 board meeting. Upon motion duly made by Amy Tykeson and seconded by Frank Toda, the minutes were unanimously approved.

FY17 YTD Results, Proposed FY18 Budget

Lawrence Furnstahl

Mr. Furnstahl presented the FY18 operating capital budget, stating that we will reach \$3 billion in terms of total size of our budget next year. He also dove into specifics in describing the FY17 YTD results pointing out that he is fairly confident that we will end the year on budget, this after a successful mid-year pivot to avoid ending the year over budget. Mr. Furnstahl also spoke of OHSU's priorities moving forward, as well as a detailed explanation of how research and education are funded.

Wayne Monfries said he wanted to comment on the fact that making budget and meeting the budget is critical to delivering on the mission of OHSU. He commended Mr. Furnstahl for his financial stewardship and the OHSU community for being able to pivot in real time during FY17 in seeing a 50% drop in patient revenue and still being able to make budget. He acknowledged it's not an easy thing to do and that difficult decisions were made, and commended Mr. Furnstahl on leading that charge and enabling OHSU to continue to make budget this year and to continue the mission. Mr. Furnstahl thanked Mr. Monfries and added that the entire university pulled together amazingly to achieve that.

Mr. Yaden added that he served for a number of years on the state board of higher education and got to watch a lot of university budgets, which consisted of a lot of numbers that nobody fully understood. Lawrence has gone a long way to bring real transparency to this budget and wants to underscore how significant that is in terms of the institution understanding itself and the choices that it's making and allowing the stakeholders of the institution also to have a much higher degree of confidence about the universities capacity to manage its way through difficult times.

Faculty Senate Statement

Derick du Vivier

Mr. du Vivier stated that the letter sent from the Faculty Senate acknowledged the difficult times that were faced over the past year. Also, a great deal of appreciation was expressed for greater interaction and transparency with the budgetary process. The letter expressed an interest in a continuation and advancement in this same process. The senate is asking for data on salary equity, more support, and to have more done regarding transportation.

Ms. Pope thanked Mr. du Vivier for the time that he and his colleagues have taken to meet with the representatives of the board each quarter. She said that these sessions have been very valuable. Mr. du Vivier agreed they have been helpful and said they would like them to continue.

Academic Tuition and Fee Book

Elena Andresen, Ph.D.

Dr. Andresen presented the proposal for tuition and fees, pointing out that OHSU works very hard to limit the increases for the upcoming academic year to 5% or less, with the exception of the Portland State University MPH programs, as those are tied to their increases.

Resolution 2017-0606 *Operating Budget, Capital Budget, Academic Year Fee Book and Health System Budgets*

Ms. Pope asked for a motion for Resolution 2017-0606. David Yaden moved to approve the motion. Wayne Monfries seconded the motion. The motion passed.

Closure of Institute of Environmental Health and Policy Update

Elena Andresen, Ph.D.

The Institute of Environmental Health merged with OHSU in 2001. After the loss of a very large center grant, the director, Dr. Baptista, requested a \$30 million reinvestment. An external review group recommended faculty needed to be located in other parts of the university where they would have more colleagues that were directly relevant to science and moving toward human health. We decided to close the institute, relocate the faculty and cease bringing in new students to the program.

Amy Tykeson asked if some of the core course work that has been going on in this program will now be offered through the School of Public Health. Dr. Andresen replied that for the three faculty who have relocated to the School of Public Health, they will begin teaching in the public health program. They actually will be able to modestly transform some of those classes to build out the MPH in environmental health.

Resolution 2017-0607 *Closure of Institute of Environmental Health*

Ms. Pope asked for a motion for Resolution 2017-0607. Amy Tykeson moved to approve the motion. Ana Brar seconded the motion. The motion passed.

Delegation of Authority Regarding Changes to Academic Programs

Elena Andresen, Ph.D.

Dr. Andresen asked for a simplification of the process of looking at the degree programs where the authority passes to the president explicitly coming to the board for information. The board would get a report on a regular basis from the Provost office on any changes. It is consistent with the way that universities usually do these things.

Resolution 2017-0608 *Delegation of Authority Regarding Change to Academic Programs*

Ms. Pope asked for a motion for Resolution 2017-0608. Wayne Monfries moved to approve the motion. David Yaden seconded the motion. The motion passed.

Rural Health Initiatives

Elena Andresen, Ph.D.

There is a critical shortage of healthcare providers and educators in rural areas in Oregon. OHSU addresses this crisis by providing care directly, extending the educational reach in all of our clinical programs and beyond, engaging in research that involves the entire state, innovative technologies and collaboration with our rural partners. Dr. Andresen expounded on the various OHSU rural programs.

Dr. Robertson stated that these programs are much more just than a collection of acronyms. This is how OHSU makes real our commitment to be the campus across all 96,000 square miles and this is still just a snapshot of a portion of how we have outreach to all areas of the state. If you combined all the missions of OHSU it's perhaps as many as 900 different locations where we touch the state. It's deeply embedded into who we are and it is just a real joy to be able to share this and I think this is something that all of us take a great source of pride and joy in.

School of Public Health

David Bangsberg, M.D., M.P.H.

Dr. Bangsberg gave a brief history of his own background as well as the formation of the OHSU/PSU School of Public Health. He focused his presentation on three goals: the delivery of high value education to all of the students; to mobilize these communities to respond to their health challenges; support the faculty to advance research and policy to improve health and well-being in Oregon, our nation and the world.

Ms. Tykeson thanked Dr. Bangsberg for his presentation and congratulated him on the accreditation. She asked him, since he has worked in several major institutions around the country and with the new school combination for public health here, what would be our competitive advantage that would really set our school apart from the others around the country? Dr. Bangsberg stated that they have asked their students this question, why are they coming to the School of Public Health? They give two reasons. One is location. Portland has a brand. People want to come to Portland. The second is to make a difference. By being an urban university at PSU, with a history of community engagement, now combined with the best of biomedicine in a really cool place in a state that has been very smart about how to deliver healthcare, very smart and a little bit poor, with the challenges that effect Oregon and throughout the country. This is not only a great location, it's a great educational infrastructure and a great laboratory to learn how to make a difference in public health.

David Yaden asked Dr. Bangsberg if he could say a little bit about the universe of research money that is out there that he might hope to go after. Mr. Yaden said it is unclear to him what NIH or anyplace else offers in terms of public health research monies. Dr. Bangsberg replied that he has been in the field long enough to know that we are in a difficult time now, but times are also cyclical and while we are in a difficult time now at least for federal grants, hopefully times will change and become more optimistic. There are new challenges that are emerging; mental health and substance abuse. Actually not new challenges, but newly recognized challenges that are growing to levels that have never been seen before. That will, in this environment, create new funding opportunities at the federal level, maybe at the state level. We will certainly pursue those. We think foundations will continue to play an important role and then there is the role of private philanthropy to jump start new initiatives and ideas to give our investigators, our scientists the competitive advantage to go out and compete for foundation money, as well as NIH money.

Ana Brar thanked Dr. Bangsberg for talking about these important topics. She asked him, with regards to his statement about delivering high value educations to students who have grown up in situations where they don't have financial support, what is OHSU/PSU School of Public Health doing specifically to expand access to those populations? Dr. Bangsberg replied that after meeting the students he and his wife made a donation of \$100,000.00 to support student scholarships. He stated that he has coffee with students three or four days a week and hears stories that were more compelling than students he's seen anywhere else at some of the best institutions in the country. That idea caught on and they have now raised \$1.5 million to support student scholarships. That's \$11,000.00 a day not including weekends. He says they are continuing to create a financial base to take the edge off of students who come from the

communities with the greatest health challenges to make a difference in public health. Also they are redesigning their advising program, and are university wide across both universities so ideas can be opened up about what health is as many of our students go off to medical school, dental school, nursing school and pharmacy school. They also want to open this up into healthcare administration, biomedical informatics and community health work. There is a job for everyone that can be tailored based upon how many years a student wants to go to school and whether they are a people person or a tech person, or something in-between. As a school, they want to distinguish themselves as a premier destination in Oregon for anyone who wants to go into a health-related career, starting either with community college coming to PSU or straight into PSU and then feeding into all of the graduate programs at OHSU and elsewhere.

Ms. Pope thanked Dr. Bangsberg for his presentation and told him that in such a short period of time he has made a huge difference in building upon the School of Public Health.

Resolution 2017-0609 *Appointment of Assistant Secretary to the Board*

Ms. Pope asked for a motion for Resolution 2017-0609. David Yaden moved to approve the motion. Ana Brar seconded the motion. The motion passed.

Resolution 2017-0610 *Committee Change – UHS Board*

Ms. Pope asked for a motion for Resolution 2017-0610. David Yaden moved to approve the motion. Joe Robertson seconded the motion. The motion passed.

Adjournment

Hearing no further business, Ms. Pope adjourned the meeting at 3:01 p.m.

Respectfully submitted,

Connie Seeley
Secretary of the Board



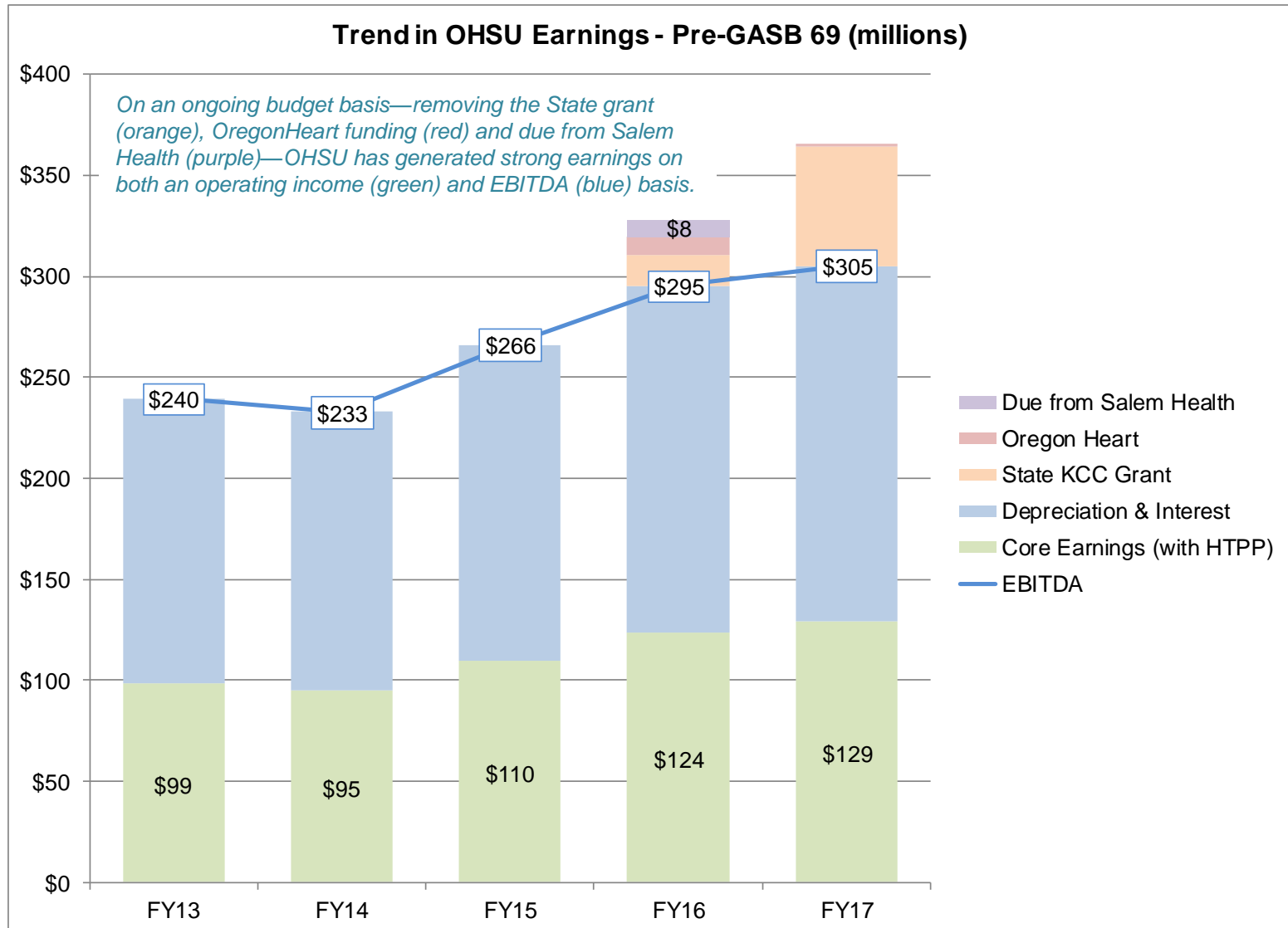
FY17 Unaudited Financial Results with FY18 August YTD Update

OHSU Board of Directors / September 28, 2017

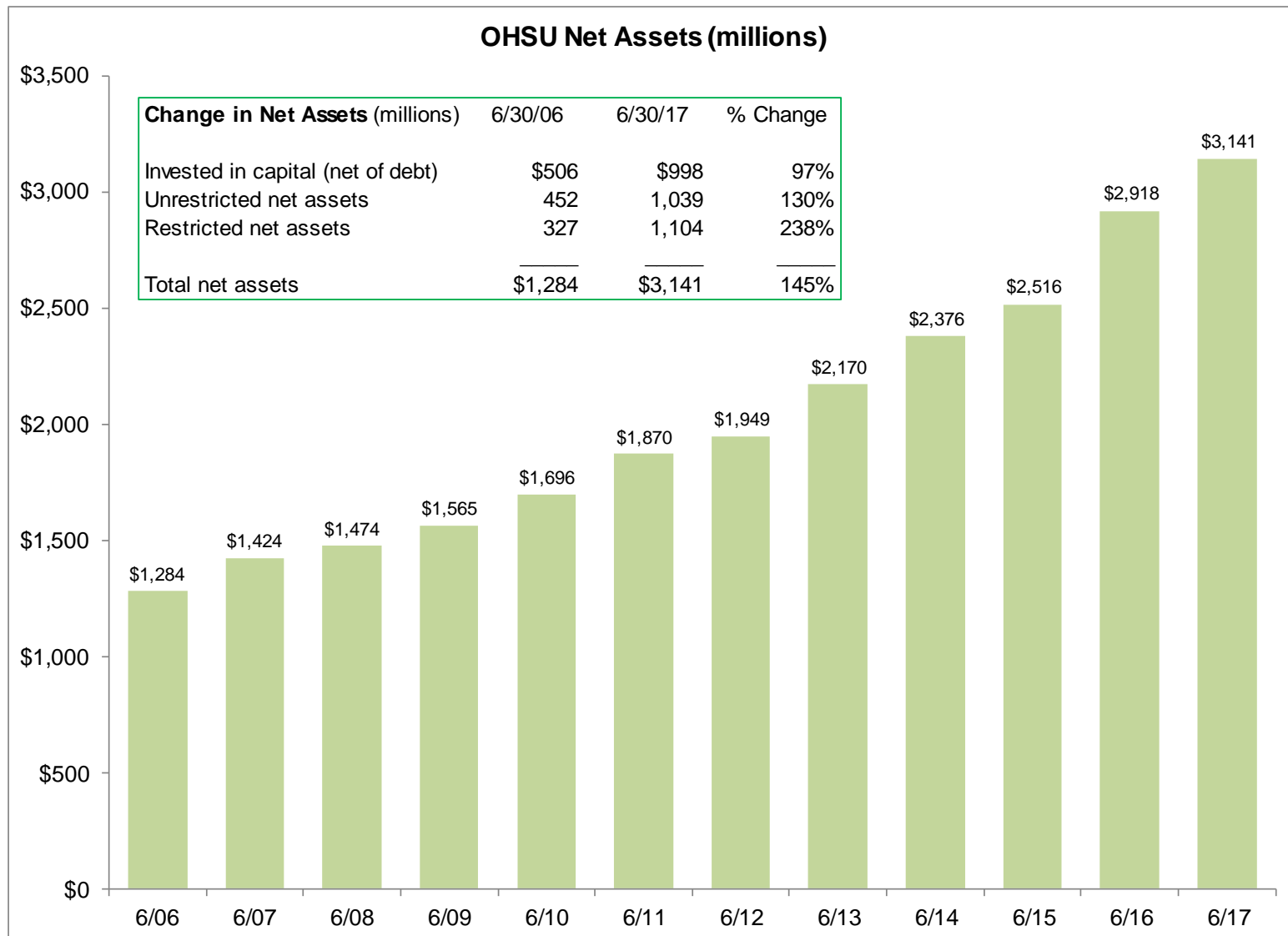
Overview of FY17 Unaudited Financial Results

- OHSU operating income through June 2017 is \$129 million, \$4.5 million above budget and within \$2.5 million of last year's record—a modest decline that reflects FY16's receipt of \$8 million from income sharing with Salem Health.
- These results do not include one-time revenues from the State grant to the Knight Cancer Challenge used for construction, the final \$1.5 million OregonHeart (artificial heart) investment from gift funds, or PERS pension accruals under GASB 68.
- OHSU has continued to generate strong earnings in contrast to weaker performance nationally, as reported by S&P (see pages 11 – 13).
- Year-end results reflect university-wide cost containment efforts combined with strong grant activity, sufficient to offset lower-than-anticipated patient care payment rates, higher losses at Tuality Healthcare, and the end of income sharing with Salem Health.
- KPMG will report the results of its external audit in October. GAAP operating income will include the State grant and OregonHeart funding, as well as GASB 68 entries that book PERS pension expense on an accrual rather than cash basis. These pension entries cause large swings in earnings, for example due to the Moro decision that reversed benefit reductions.
- FY18 results through August on on-track (see pages 14 – 17).

Trend in OHSU Earnings Without One-Time Items



OHSU Net Worth Up 145% in 11 Years to \$3.1B



FY17 June YTD Operating Income

Higher grant activity and hiring restraint more than offset service & supply costs (reflecting higher patient volume at lower rates combined with greater losses at Tuality), to end the year above target.

June YTD (12 months) (millions)	FY16 Actual	FY17 Budget	FY17 Unaudited	FY17 - Budget	FY17 / FY16
Net patient revenue	\$1,905	\$2,000	\$2,012	\$12	5.6%
Medicaid R&E IGT	85	85	85	0	0.0%
Grants & contracts	378	397	423	25	11.7%
Gifts applied	98	107	103	(5)	4.8%
Tuition & fees	69	71	70	(2)	1.5%
State appropriations	36	36	36	(0)	0.0%
Other revenue	114	118	125	7	9.5%
Operating revenues	2,684	2,814	2,852	38	6.3%
Salaries & benefits	1,532	1,643	1,641	(2)	7.2%
Services & supplies	759	784	818	34	7.8%
Provider tax	90	88	88	(0)	-2.0%
Depreciation	137	139	146	8	6.6%
Interest	34	35	29	(6)	-14.5%
Operating expenses	2,552	2,689	2,723	33	6.7%
Oper. income (budget basis)	132	125	129	4	-1.9%
OregonHeart investment	9		2		
State grant to KCC	16		59		
GASB 68 PERS accrual	(222)		(85)		
PERS cash contribution	32		31		
GASB 68 operating income	\$(34)		\$136		

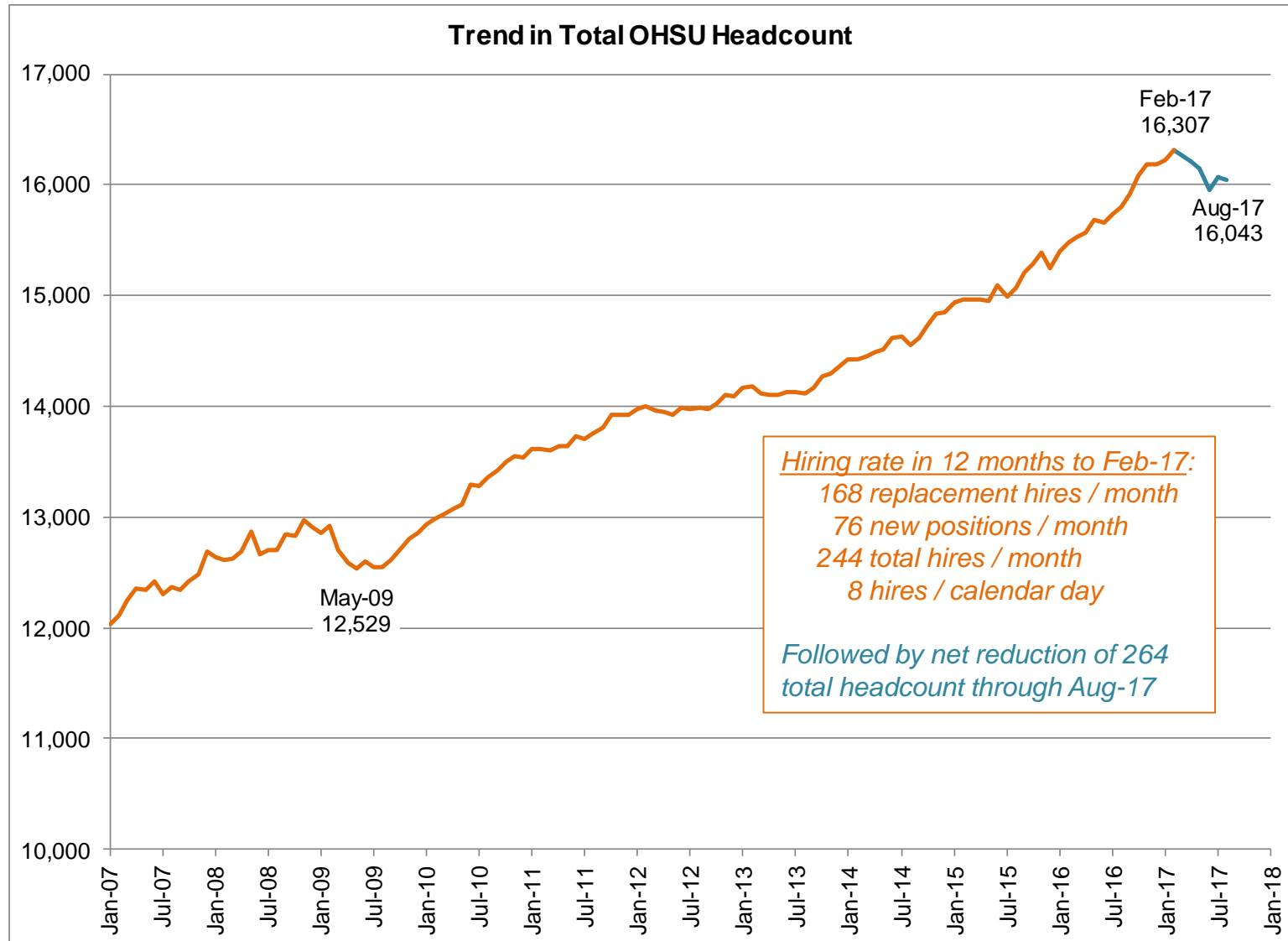
GAAP results include one-time funds for OregonHeart investment and Knight Cancer Challenge, plus PERS pension accruals that replace the cash-basis accounting used for the budget basis.

Variance from Budget by Major Area

- OHSU Hospital reduced its budget variance as the year went on, but Tuality losses increased.
- Schools, centers and institutes were on target except for a temporary gap in funding the Clinical Translational Research Award and a shortfall at the Primate Center, deficits more than offset by cost containment in academic and research support.
- Most of the negative variance was made up in central administrative, support and institutional costs, combined with a gain in restricted funds, reflecting increased private grants and more capital funds.
- The OHSU-wide performance improvement effort now underway, called “Accelerate OHSU” and supported by Huron and Vizient consulting, will identify and assess opportunities to make cost reductions sustainable and operating performance more stable throughout the year.

FY17 Variance from Budget	(000)
OHSU Hospital (incl. LLC)	\$(13,244)
Tuality Healthcare	(9,430)
Due from Salem Health	(5,286)
Subtotal - healthcare	<u>(27,960)</u>
Schools, centers & institutes	(3,255)
Academic / research support	4,918
Central admin. & support	19,354
Restricted funds	11,400
Subtotal - other university	<u>32,417</u>
Total OHSU	<u>\$4,457</u>

Managing the Flow of OHSU's Workforce

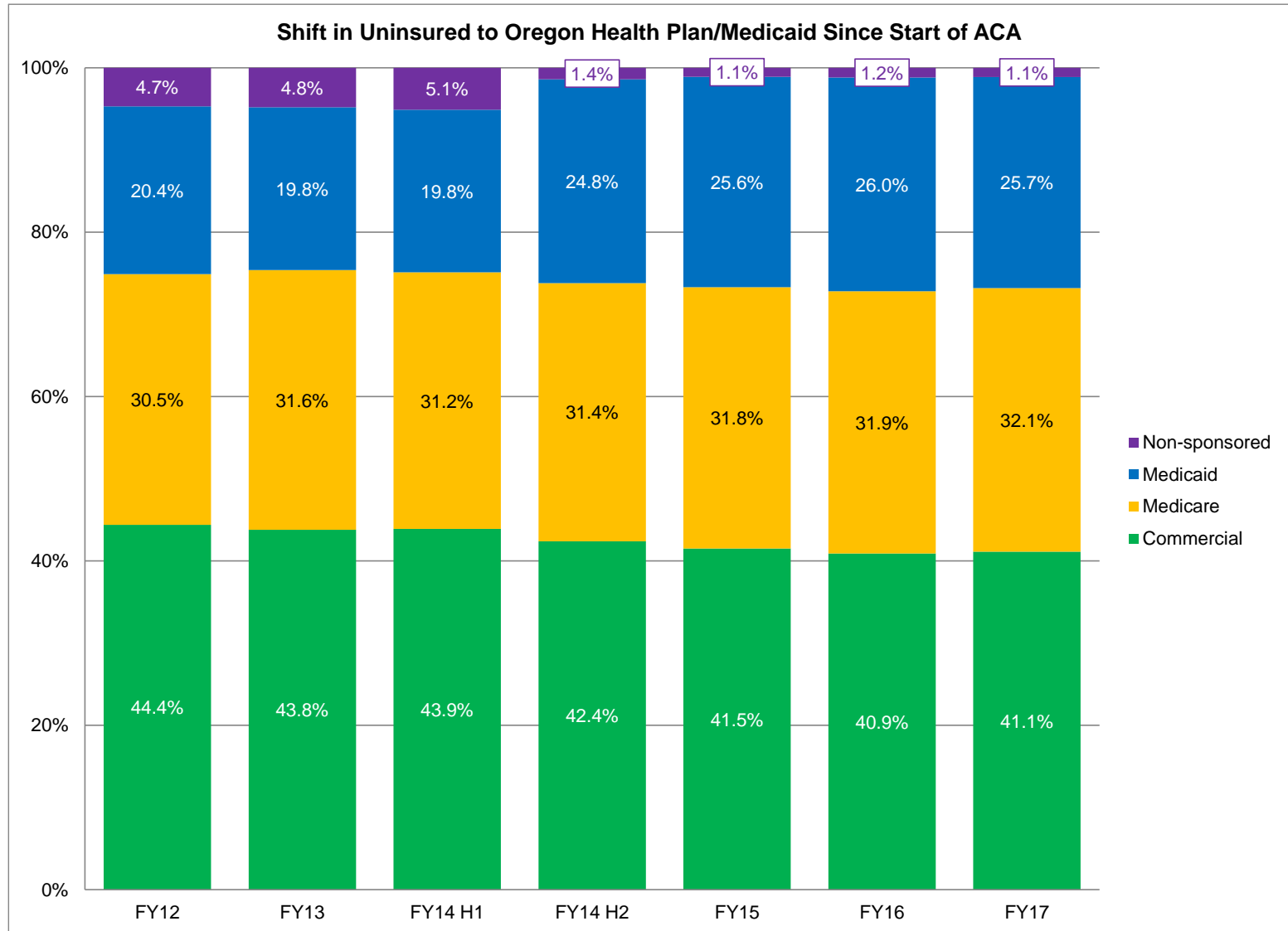


Patient Activity & Aggregate Payment Rates

- FY17 patient activity was 3% above budget and 6% above prior year, reflecting outpatient growth combined with high census and casemix.
- Aggregate payment rates (measured by net patient revenue per adjusted admission) were flat against last year and -3% below budget.
- This led to the budget gap at OHSU Hospital, where increased volume drove higher care costs without correspondingly higher revenues, offset in part by tight control of hiring as the year progressed.

OHSU Patient Activity June YTD (12 months)	FY16 Actual	FY17 Budget	FY17 Actual	Actual / Budget	Actual / Last Year
Inpatient admissions	29,834	29,492	29,747	1%	0%
Average length of stay	5.89	5.67	5.92	4%	1%
Average daily census	469	450	470	4%	0%
Day/observation patients	37,708	38,270	37,552	-2%	0%
Emergency visits	49,180	49,152	47,193	-4%	-4%
Ambulatory visits	856,291	899,975	893,999	-1%	4%
Surgical cases	33,137	33,544	33,892	1%	2%
Casemix index	2.03	2.06	2.09	1%	3%
Outpatient share of activity	47.6%	49.0%	49.5%	1%	4%
CMI/OP adjusted admissions	115,568	119,013	122,967	3%	6%
<i>Patient rev. less tax (millions)</i>	<i>\$1,815</i>	<i>\$1,912</i>	<i>\$1,924</i>	<i>1%</i>	<i>6%</i>
<i>Revenue per adj. admission</i>	<i>\$15,706</i>	<i>\$16,066</i>	<i>\$15,650</i>	<i>-3%</i>	<i>0%</i>

ACA Coverage Expansion Holding at OHSU



Healthcare Earnings Compared to Prior Year

On a year-over-year basis, OHSU Hospital performance remains very solid, with the small decline largely due to phase-out of Oregon's Hospital Transformation Performance Pool (HTPP) program. Note that the ~\$85 million OHSU receives from Medicaid Intergovernmental Transfers (IGT) for research & education support is removed from hospital revenues to ensure a level playing field with other hospitals.

OHSU Healthcare (millions)	FY16	FY17	\$ Change	% Change
Pat. revenue (excl. IGT / HTPP)	\$1,476	\$1,571	\$95	6.4%
HTPP revenue	19	13	(6)	-31.5%
Other revenue	68	82	14	20.3%
Hospital operating revenues	1,563	1,665	103	6.6%
Salaries & benefits	681	724	43	6.4%
Services & supplies	460	497	37	8.1%
Provider tax	90	88	(2)	-2.0%
Practice support	65	84	19	28.5%
Overhead cost allocation	69	74	5	7.6%
Depreciation	67	75	7	11.1%
Interest	19	17	(2)	-13.0%
Hospital operating expenses	1,452	1,559	108	7.4%
OHSU Hospital	111	106	(5)	-4.6%
<i>Hospital operating margin</i>	<i>7.5%</i>	<i>6.7%</i>		
<i>Hospital EBITDA margin</i>	<i>13.4%</i>	<i>12.5%</i>		
Tuality Healthcare	(3)	(11)	(8)	
Due from Salem Health	8	0	(8)	
OHSU Healthcare	\$117	\$95	\$(21)	

Cash Up \$39M as Net Worth Rises \$223M

Balance Sheet (millions)	6/30/16	6/30/17	Change
Operating cash & investments	\$794	\$825	\$31
Quasi-endowment funds	79	87	8
Moda surplus note, net	34	34	0
OHSU cash & investments	906	945	39
Trustee-held bond funds	21	19	(1)
KCC project fund	85	124	39
CHH-2 project fund	80	144	64
Total cash & investments	1,091	1,233	141
Net physical plant	1,606	1,742	136
Interest in Foundations	1,346	1,403	57
Long-term debt	(931)	(1,005)	(74)
GASB 68 pension items, net	(244)	(298)	(54)
Deferred State grant revenue	(83)	(123)	(40)
Working capital & other, net	132	188	56
OHSU net worth	2,918	3,141	223

Oper. income (budget basis)	129
OregonHeart / State grant	61
GASB 68 adjustments	(54)
OHSU investment return	29
Gain (loss) from Foundations	57
Other non-operating items	1

Total change in net worth **\$223**

Cash Flow (millions)	FY17
Oper. income (budget basis)	\$129
OregonHeart / State grant	61
Depreciation	146
OHSU investment return	29
CHH-2 project funds applied	56
Sources of OHSU cash	422
Regular principal repaid	(46)
Capital spending	(282)
Patient A/R & settlements	(17)
A/P & accrued expenses	(15)
Accrued payroll & benefits	(18)
Other working capital, net	(4)
Uses of OHSU cash	(382)
Sources less uses of cash	39
6/30/16 balance	906
6/30/17 balance	\$945

Despite strong income that pushed consolidated net worth up 7.6% to \$3.1 billion, operating cash balances increased only \$39 million, largely due to year-end timing that required early payment of debt and an additional payroll (cash outflows that otherwise would have fallen into early July).

S&P on NFP Healthcare Trends (9/14/17)

Sector Stability As Seen Through 2016 Medians and 2017 Year-To-Date Rating Actions

- Stable outlook supported by 2016 medians and 2017 y-t-d rating actions
 - Overall balance sheets remain strong, stable and robust
 - Non-operating performance recovers in 2017 suggesting cash flow coverage improvements for 2017 ratios
 - Mergers & acquisitions continue to boost enterprise profiles for many. Systems upgrades exceed downgrades.
 - Overall rating changes balanced, but slightly more downgrades than upgrades
 - Number of stable outlooks remains constant
- Despite stable outlook, operating margins pressures re-emerge, driving more negative outlooks & drop in positive outlooks
 - Systems appear better equipped to handle the current environment as seen by upgrades to downgrades comparing systems to stand alones
 - ACA expansion benefits waning as they are now baselined into operations/ payor mix
 - Value orientation & acceptance of more risk-based contracts continues to reduce use rates
 - Aging population driving up Medicare at the expense of employer based commercial payors
 - Surgical/ Medical mix hurting performance for some
 - Growing labor shortages

Source: S&P Global Ratings, "U.S. Not-For-Profit Health Care Sector Medians, 2017-2018 Perspective: The Focus Turns Back to Operations" (Primary Credit Analysts Cynthia S. Keller and Martin D. Arrick) September 14, 2017 webcast.

S&P on Healthcare Trends (continued)

Recent Trends That Temper Out Stable Outlook

- Recent fiscal 2016 audits that show notable declines in operating income levels
 - Growing labor shortages,
 - Weaker inpatient volumes from 2015 highs, and
 - Unfavorable payor mix shifts
- Expectation of longer-term revenue pressures--particularly as the recent improvement in volume and in the level on insurance coverage from Medicaid expansion wanes;
- The potential impact of legislative changes on state and federal health care policy under a new federal administration, including the potential for a sharp rise in the number of people without health insurance; and
- Continued uncertainty, including the pace of change toward value models and potentially significant legislative changes which could also alter the movement to value-based reimbursement models, and the growing role of consumerism and price consciousness among buyers of health care.

S&P on Healthcare Trends (continued)

Sector Risks And Opportunities

Risks

- Even without any legislative changes, the initial positive impact of Medicaid expansion has run its course in expansion states, bringing traditional expense, revenue, and volume pressures back to the forefront, threatening credit quality;
- The potential repeal of the ACA and related consequences could dramatically reshape the industry and credit quality, but at this point it's not clear what, if anything, might replace the ACA; and
- Possible legislative changes to Medicaid and Medicare are being discussed, which could also affect credit quality.

Opportunities

- Our 2015 medians and 2016 year-to-date rating and outlook experience show continued sector strength and resilience, reflecting last year's stable outlook; and
- Continued implementation of fundamental operational improvement initiatives and strategies that should continue to provide financial flexibility under any type of payment system.

FY18 August YTD Financial Results

- Operating income through the first two months of FY18 is \$10.8 million, \$6 million better than budget (see next page).
- The FY18 budget is spread by month in a back-weighted manner, reflecting historical seasonality, particular timing of Medicaid changes this year, and expectation of greater cost containment in healthcare as the fiscal year goes on.
- Earnings are somewhat below FY17, but this reflects an unusual gain in restricted funds last August that we did not expect to see repeated this year.
- Both OHSU Healthcare and the rest of the University are on-track through August.
- Tuality Healthcare recorded a smaller deficit in August than in July, resulting in a \$(2.1) million year-to-date loss, \$(1) million worse than budget, a shortfall more than offset by gains at OHSU Hospital.
- On a year-over-year basis, August YTD revenues are up 8%, with patient revenues rising nearly 10% on rising inpatient casemix and ambulatory volume, nearly double what we expect for FY18 overall.
- Summer months tend to be volatile, but FY18 is off to a solid start.

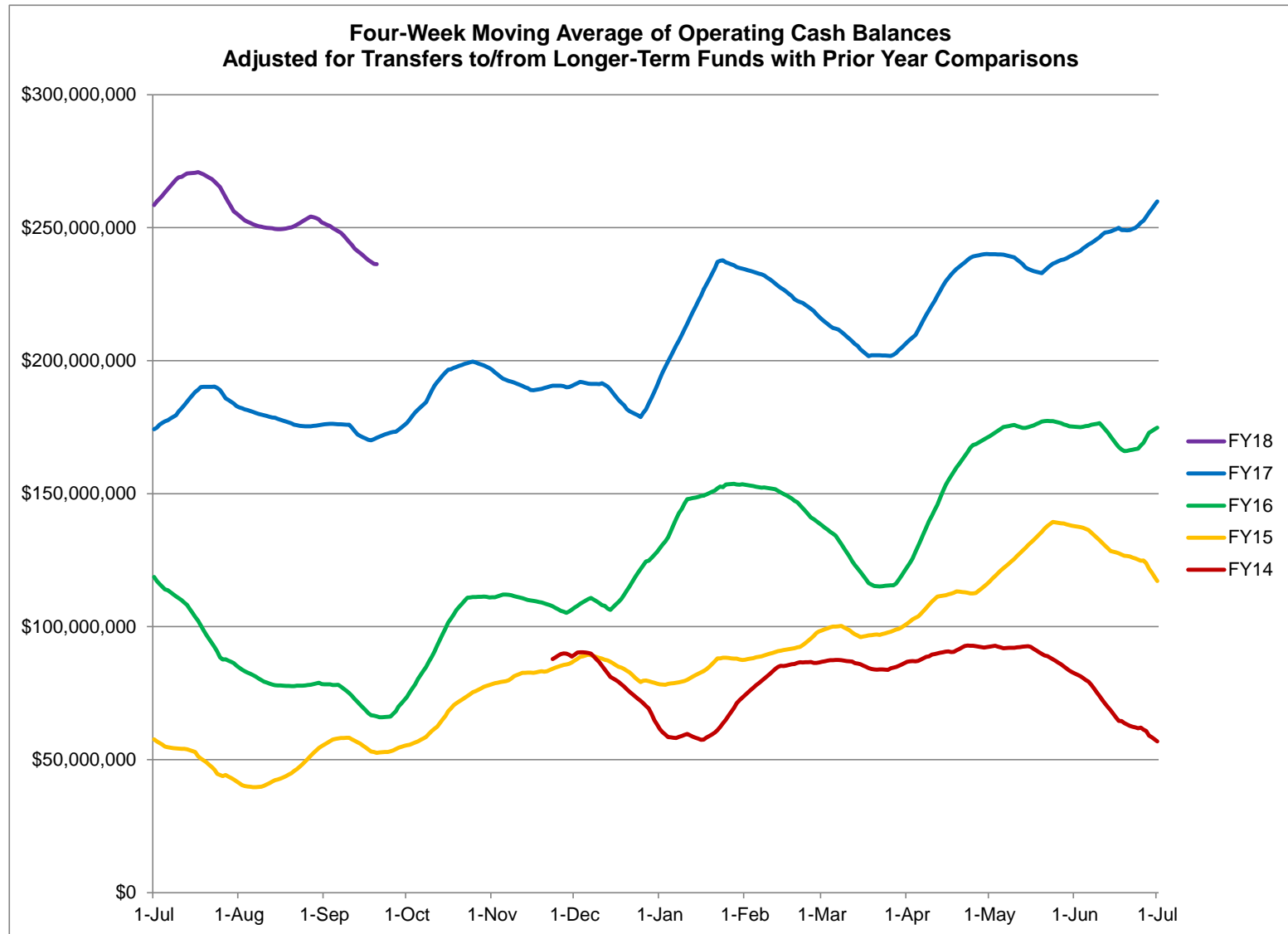
FY18 August Results +\$6M Above Budget

August YTD (2 months) (millions)	FY17 Last Year	FY18 Budget	FY18 Actual	Actual - Budget	Actual / Last Year
Net patient revenue	\$319.1	\$344.2	\$351.5	\$7.3	10.2%
Medicaid R&E IGT	14.2	14.2	14.2	0.0	0.0%
Grants & contracts	65.3	70.6	62.4	(8.2)	-4.5%
Gifts applied	10.6	14.8	12.5	(2.3)	17.9%
Tuition & fees	10.3	11.1	10.9	(0.1)	5.8%
State appropriations	5.9	5.9	6.2	0.2	4.2%
Other revenue	18.7	21.5	22.2	0.7	19.1%
Operating revenues	444.1	482.4	480.0	(2.4)	8.1%
Salaries & benefits	263.0	287.1	282.0	(5.1)	7.2%
Services & supplies	122.7	144.6	138.9	(5.7)	13.2%
Provider tax	14.1	15.3	17.5	2.2	24.6%
Depreciation	24.1	25.5	25.4	(0.1)	5.2%
Interest	5.6	5.2	5.4	0.1	-4.3%
Operating expenses	429.6	477.7	469.1	(8.6)	9.2%
Oper. income (budget basis)	14.6	4.7	10.8	6.2	-25.7%
State grant to KCC	4.5		6.9		
Oper. income with State grant	\$19.1		\$17.7		

Patient Activity Driven by Casemix & Outpatient

OHSU Patient Activity August YTD (2 months)	FY17 Actual	FY18 Budget	FY18 Actual	Actual / Budget	Actual / Last Year
Inpatient admissions	5,158	5,009	4,959	-1%	-4%
Average length of stay	5.78	5.79	5.94	3%	3%
Average daily census	486	489	475	-3%	-2%
Day/observation patients	6,277	6,267	6,409	2%	2%
Emergency visits	8,090	8,177	7,581	-7%	-6%
Ambulatory visits	144,332	151,401	151,979	0%	5%
Surgical cases	5,596	5,797	5,903	2%	5%
Casemix index	2.03	2.07	2.22	7%	9%
Outpatient share of activity	48.2%	49.8%	49.4%	-1%	2%
CMI/OP adjusted admissions	20,195	20,673	21,771	5%	8%

Cash Builds Year-over-Year with Seasonality





Faculty Senate Report to the OHSU Board of Directors

September 28, 2017

Derick Du Vivier MD, MBA, OHSU Faculty Senate President
Assistant Professor School of Medicine
Kristin Lutz, PhD, RN, OHSU Faculty Senate Past President
Associate Professor School of Nursing

The mission of the OHSU Faculty Senate is to represent faculty by proposing, evaluating, and providing advice on actions and policies to create, maintain, and protect an academic environment conducive to the full and free development of scholarly learning, teaching, research, patient care, and community service.



Senate Purpose

The Faculty Senate deliberates, plans, advises, and where appropriate acts within its mission on any matter of general interest or concern to the Faculty or pertaining to OHSU, including, but not limited to:

- academic policies
- educational standards, curricula, new programs, regulations
- research
- faculty status
- strategic planning
- budget

Membership

- The 27 member Senate represents 2700+ OHSU faculty members
- Senators are uninstructed representatives elected by their School or Unit
- 36 months terms, may serve 2nd term

*The Senate is the place where all OHSU faculty
come together*

Senate Members 2017-2018

Affiliated Units

Jonah Sacha
Joseph Needoba
Lucia Carbone
Mitchell Turker
Kristina DeShazo

School of Dentistry

Barry Taylor
Michael Danilchik
Rose McPharlin
Lisa Greene

School of Medicine

Derick Du Vivier
Jeffery Iliff
Jonathan Pak
Karen Eden
Marian McDonagh
Jessica Flynn
Amy Garcia
Amy Kobus
Targol Saedi
Emily Jacobsen

School of Nursing

Lissi Hansen
Judith Baggs
Gary Lausten
Amy Ross
Rana Najjar
Kristin Lutz

School of Public Health

Byung Park

College of Pharmacy

Conroy Sun



Executive Committee

President: Derick Du Vivier, MD, MBA

Past President: Kristin Lutz, PhD, RN

Secretary: Barry Taylor, DMD

Senators-at-large: Michael Danilchik, PhD;

Mitchell Turker, PhD; Lucia Carbone, PhD;

Karen Eden, PhD

Ex Officio Member: Provost Elena Andresen, PhD

Senate Committees & Workgroups

- Educational Policy Committee
- Elections and Awards Committee
- Faculty Affairs Committee
- Web Oversight Workgroup
- Interinstitutional Faculty Senate

University Committees & Councils

- Academic Program Review Committee
- OHSU Assessment Council
- Committee on Academic Policy
- Diversity Advisory Council
- Information Security & Privacy Advisory Committee
- Policy Advisory Committee
- President's Council
- Research Oversight Committee
- Employee Benefits Council
- Retirement Plan Advisory Committee

Goals for 2016-2017

- Advocate for faculty
- Increase faculty participation in governance activities
- Continue strengthening relationship with OHSU Board
- Support academic affairs

Advocate for Faculty

- Due to internal and external events, OHSU faced many challenges
- Faculty Senate was a constant in a sea of change and functioned exceedingly well as a partner of administration and a vehicle for communication between the Board, faculty and university leadership
- Continued work on interpretation of data from Faculty Survey and partnered with administration for its dissemination to faculty

Continued Advocacy Efforts

- Senate President, Executive Committee members, Faculty Affairs Committee chair and individual Senators met with various faculty and faculty groups to provide guidance and information regarding governance questions
- Senate provided continued input and feedback on Faculty Survey items and

Reinforced recommendations to university leadership and Board on faculty equity, transparency and communication, faculty and leadership development and accountability

Increase Faculty Participation in Governance Activities

- Actively participated in OHSU budgetary process
- Initiated revision of Senate bylaws
- Initiated review of Senate apportionment
- Held elections for Faculty Senate

Continue to Strengthen Relationship with OHSU Board

- President Lutz presented *State of the Faculty Address* to Board of Directors
- Continued Executive Committee bi-annual meetings with Board of Directors (Board resolution 2015-04-03)
- Discussed AY2018 Budget with CFO Lawrence Furnstahl and Provost Elena Andresen
- Presented Senate Budget Statement to Board of Directors
 - Recommendations: *continued transparency in budgetary decision-making, increased Senate budget, faculty compensation equity and reaffirmation of support for **Faculty First Initiative***

Additional Activities

- Meetings and Presentations
 - Senate Distinguished Faculty Awards Celebration
 - President Lutz represented Senate at President's Council meetings
 - President Lutz represented Faculty at OHSU Leadership Luncheon
 - President Lutz presented the *Faculty Welcome* at OHSU convocation ceremony
 - Increased frequency of communication via *Faculty News*

Senate Priorities for AY2018

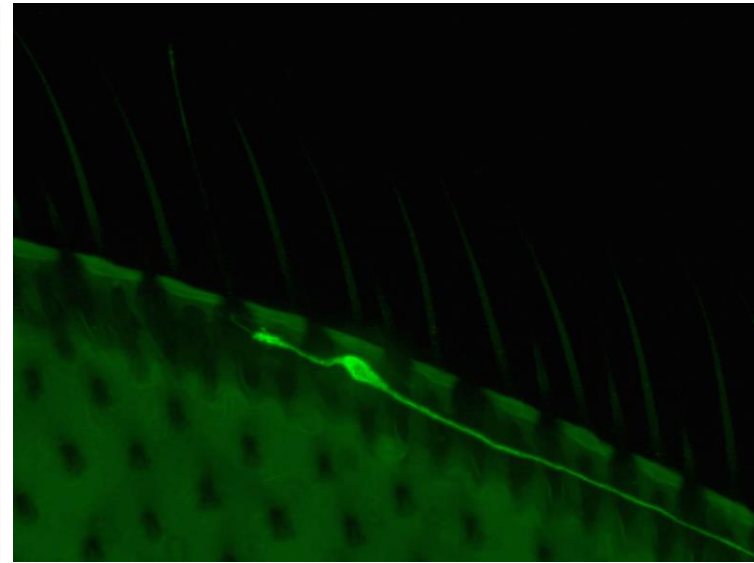
- Strengthen the institution of the Faculty Senate through increased budgetary allowance
- Increase Faculty Participation in Governance
 - Complete revision of Senate Bylaws
 - Continue and modify faculty involvement in OHSU budgeting process
 - Hold elections for Faculty Affairs Committee and Senate
- Support Academic Affairs
 - Review new program proposals
 - Continue reviews and program modifications

Senate Priorities for AY2018

- Establish and cultivate relationships with other faculty senates
- Advocate for Faculty
 - Collaborate with leadership to implement Senate recommendations including review of faculty grievance policy/follow-through
 - Continue to prioritize and address issues identified in Provost's Faculty Survey
- Enhance Senate communication with faculty
- Continue to strengthen relationship with OHSU Board
- Create strategic plan and revisit ***Faculty First Initiative***



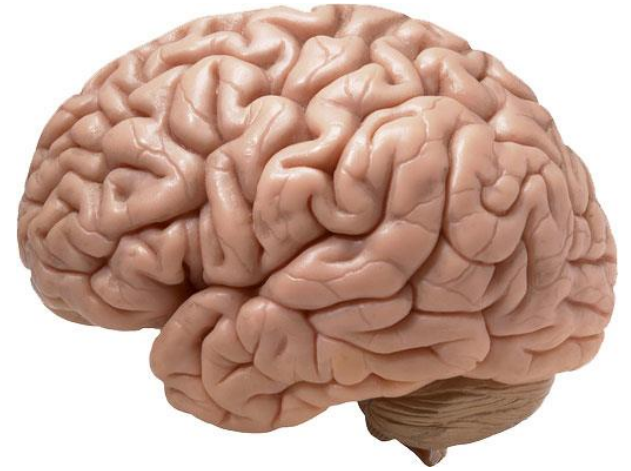
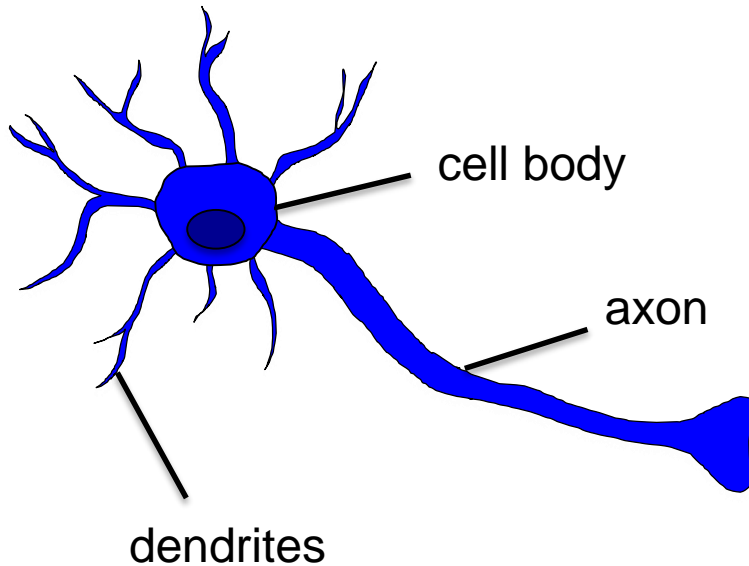
Life and death of the axon



Freeman lab, Department of Neurobiology

The basic cellular unit of the brain is the neuron

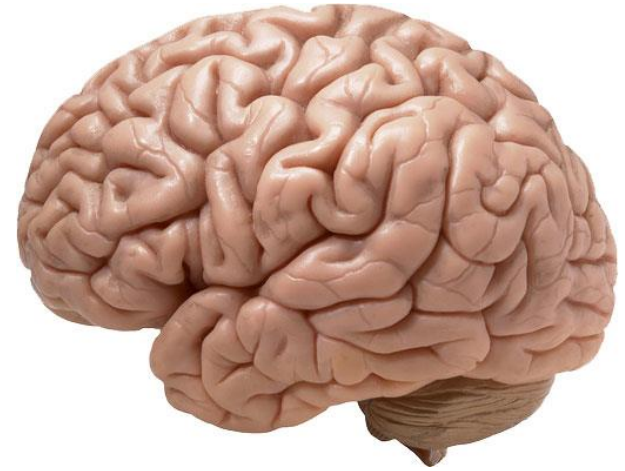
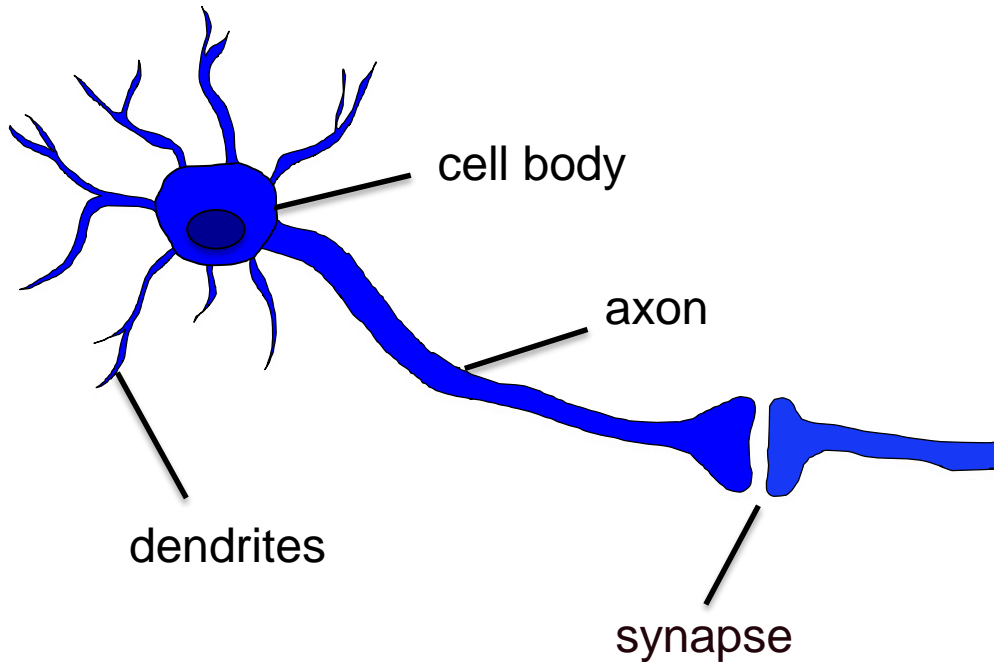
the neuron



~100 billion neurons

Neurons talk to each other through synaptic connections

the neuron

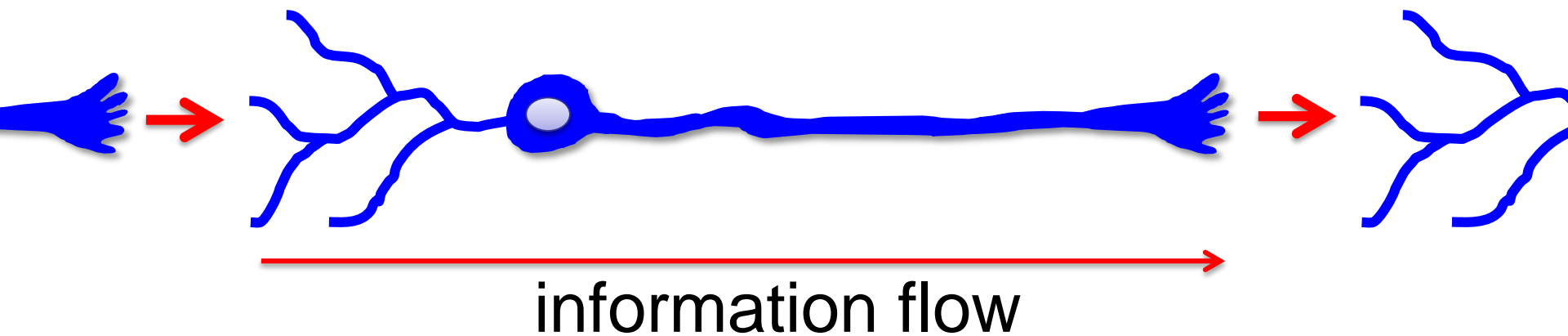
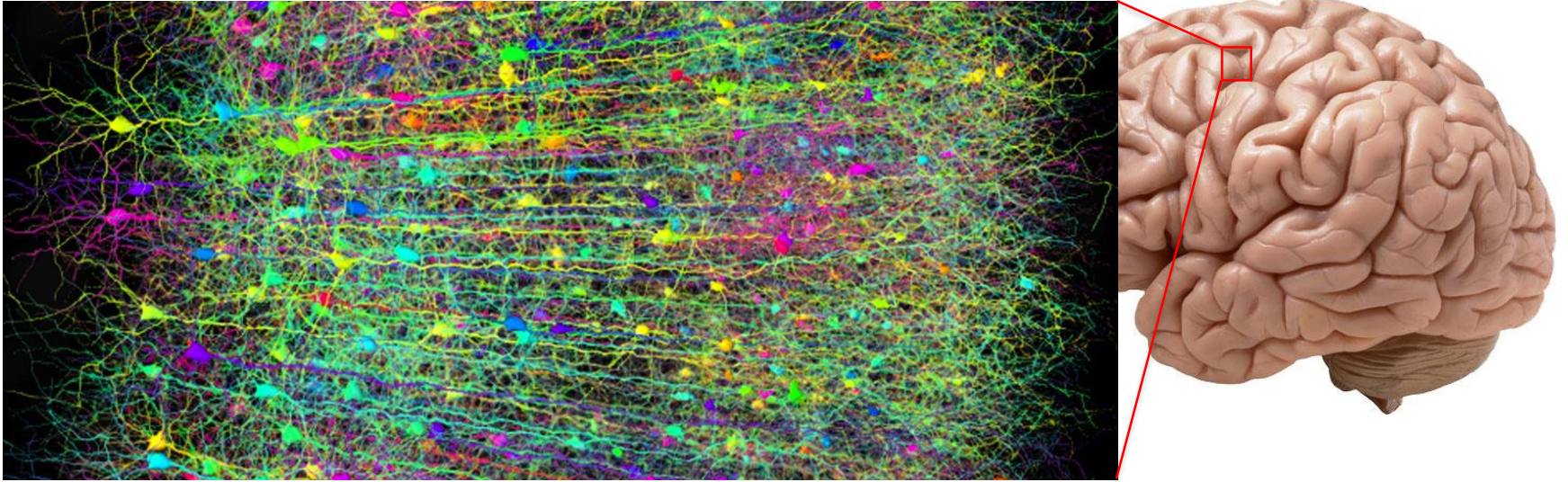


~100 billion neurons

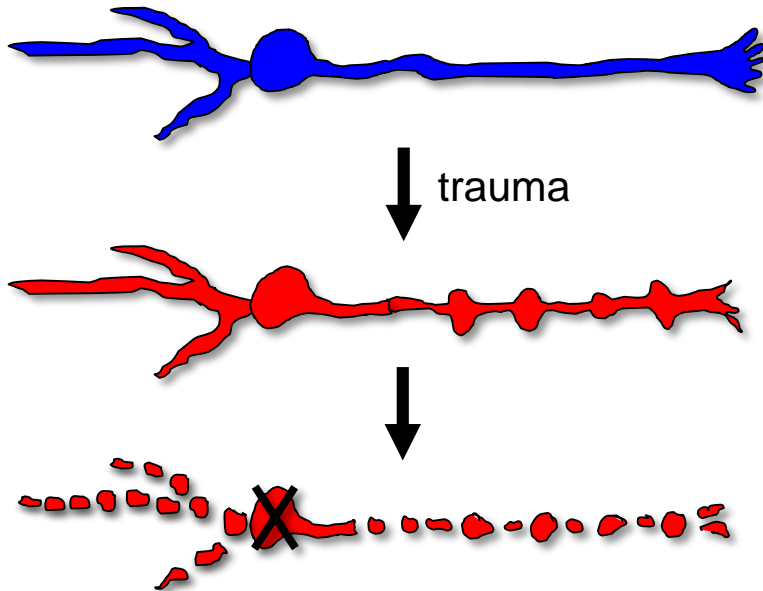
can connect to 10,000
other neurons

~1000 trillion synapses

Neurons form circuits to process information in the brain

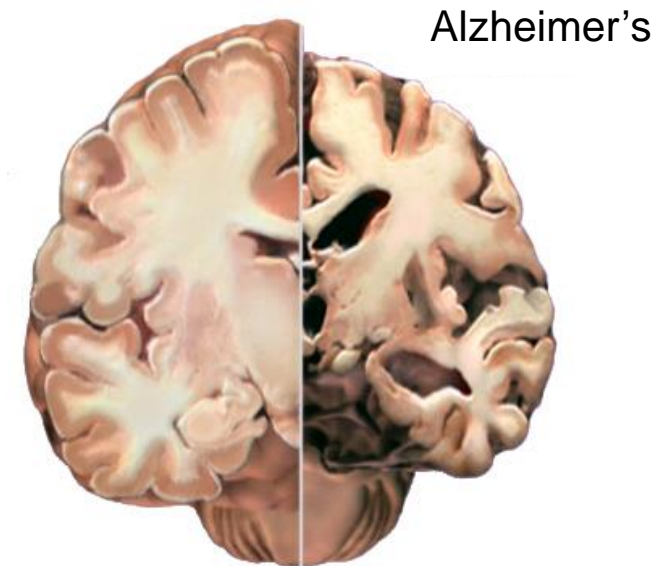


Degeneration of neurons lead to functional loss in patients



causes:

neurodegenerative disease
injury
metabolism (diabetes)
toxin exposure (chemotherapy)



How do genes drive
neuron loss?

Model organisms – faster, cheaper, and conserved biology



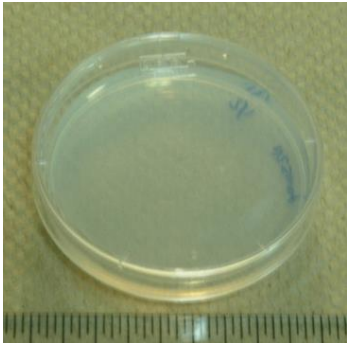
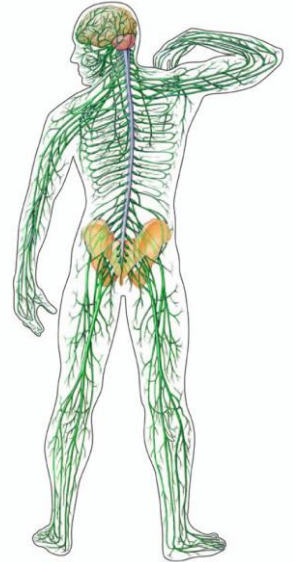
3 days



10 days



3 months



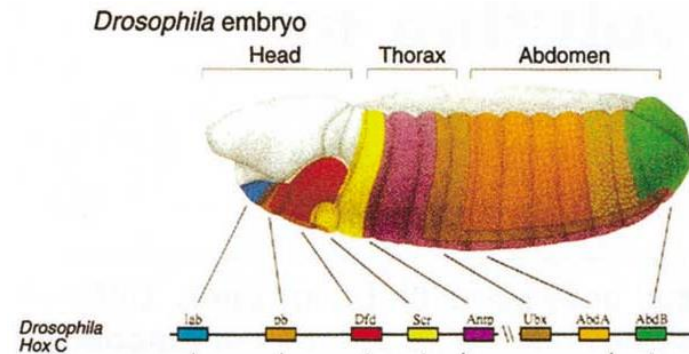
Model organisms – faster, cheaper, and conserved biology



3 days



10 days



cell death

RNAi

microRNAs

chromosomal basis
of inheritance

animal body plan

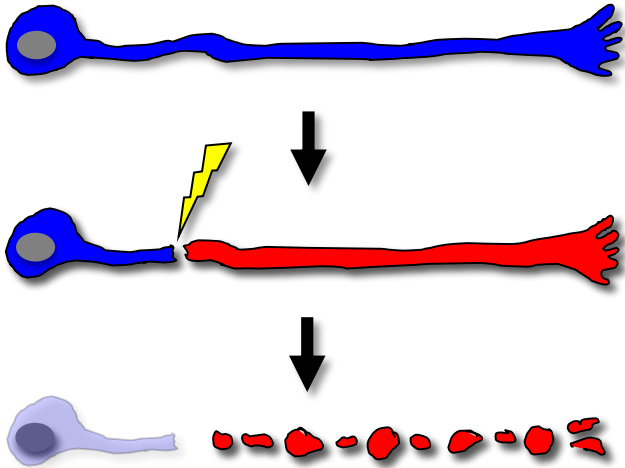
genes control
behavior



Versatility allows for discovery – surprises in axon biology

cell body

axon



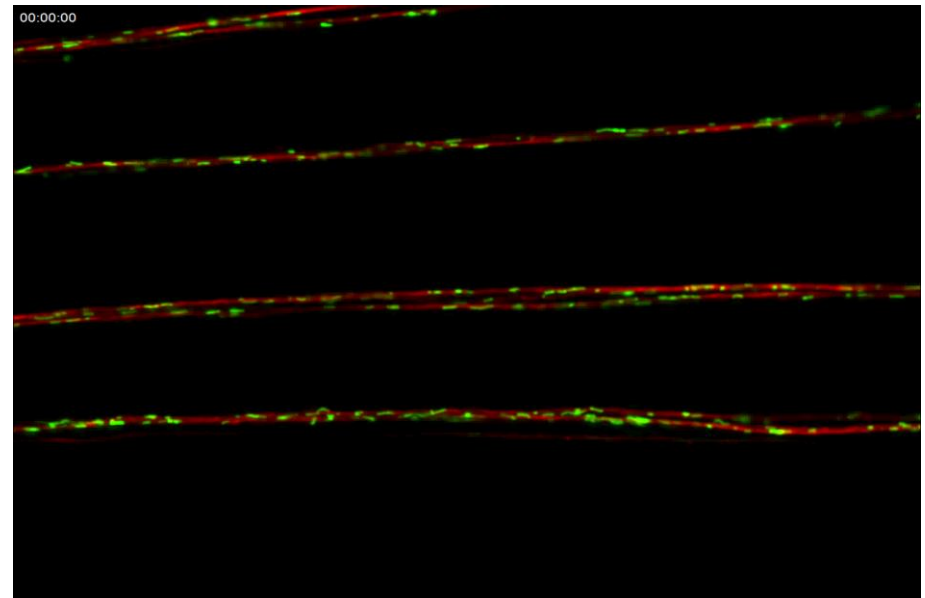
largest compartment of neuron

cell body:axon can reach 1:20,000

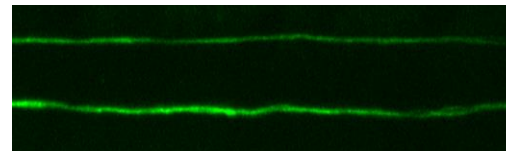
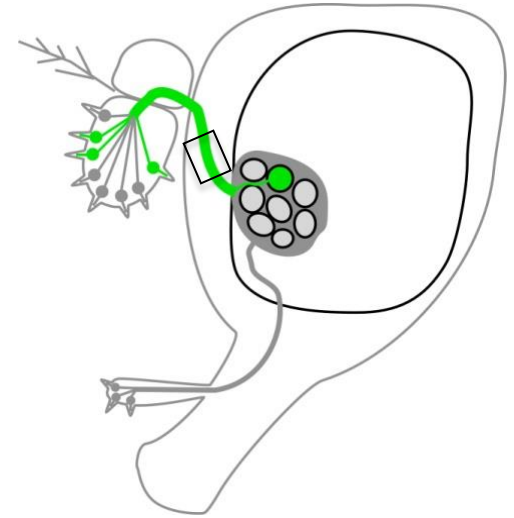
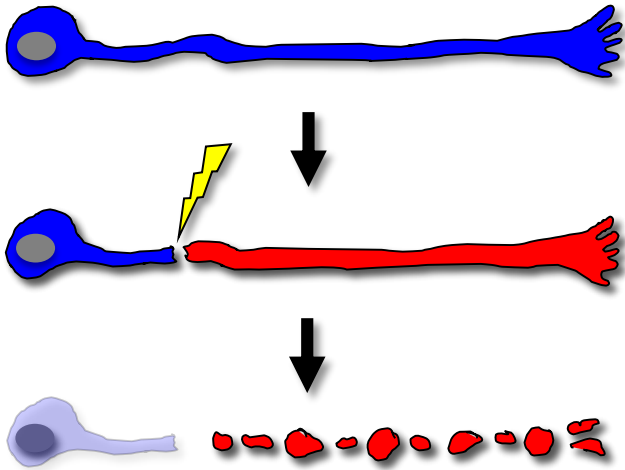
dynamic structures

Axioms of axon biology

- 1) Axons depend on the soma for survival
- 2) Axon degeneration is passive

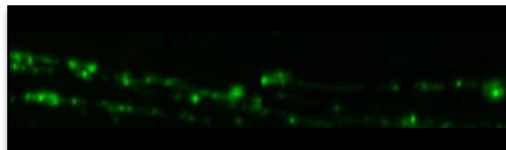


Exploring mechanisms of axon degeneration and survival



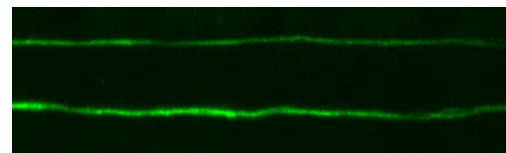
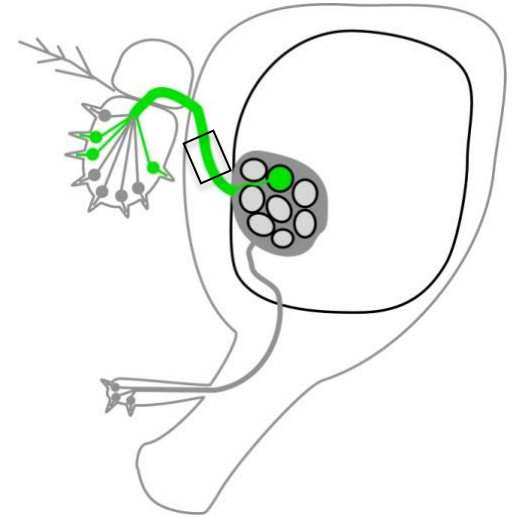
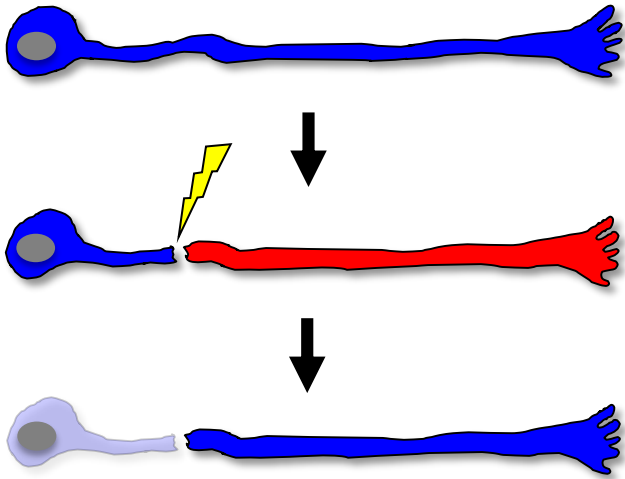
axon (no injury)

↓ axotomy



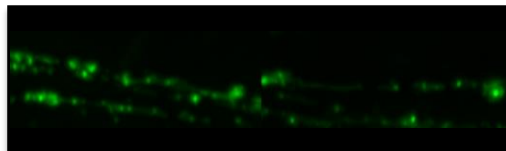
axon debris

Exploring mechanisms of axon degeneration and survival



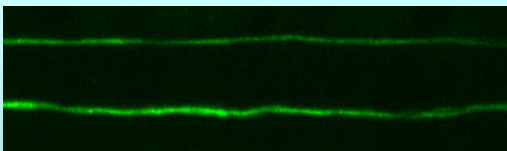
axon (no injury)

axotomy



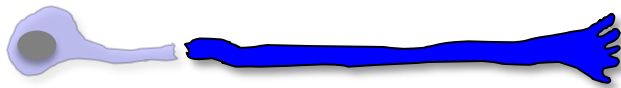
axon debris

SARM
mutant



SARM promotes axon degeneration

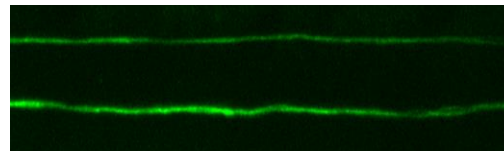
SARM



Loss of SARM → axons are protected
(for the lifespan of the fly)

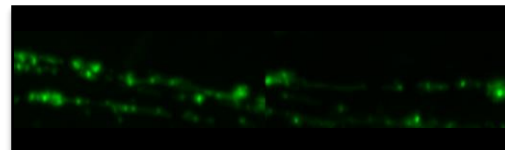
Axioms of axon biology

- 1) Axons depend on the soma for survival
- 2) Axon degeneration is passive



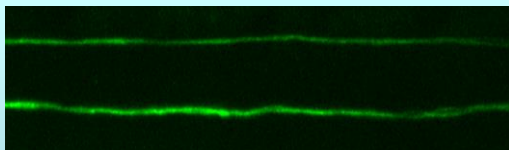
axon (no injury)

↓ axotomy



axon debris

SARM
mutant

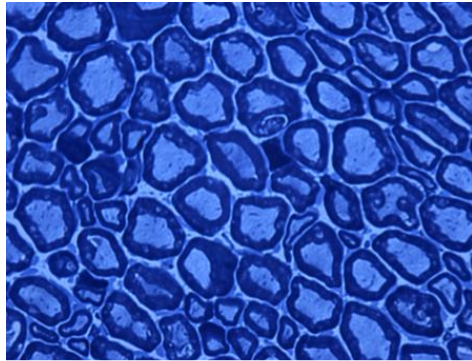


SARM pro-degenerative function is conserved

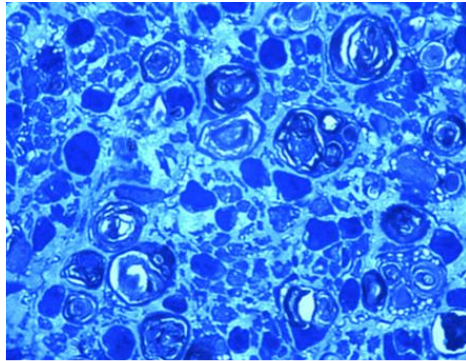
SARM



uncut

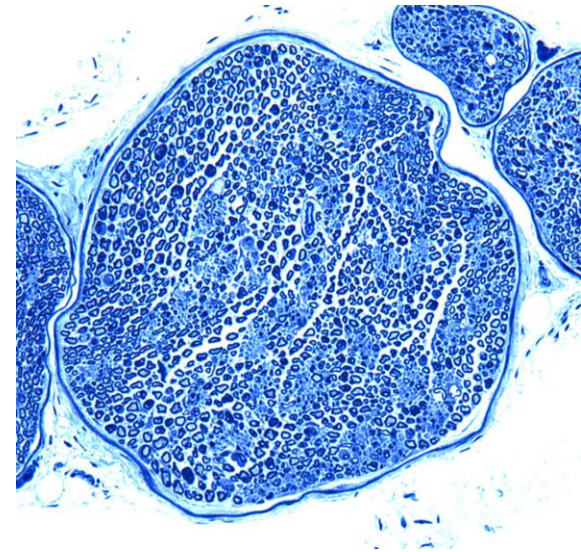
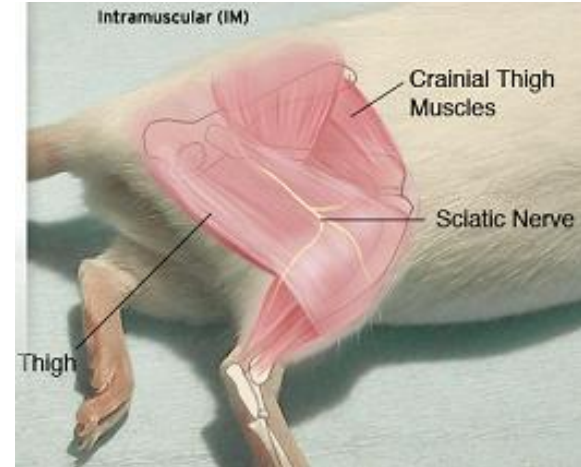


2 weeks



control

sciatic nerve axotomy



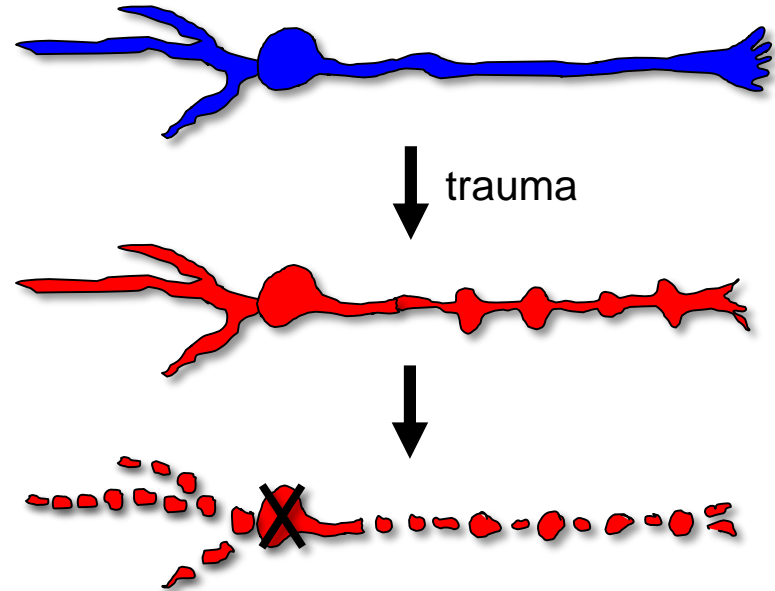
Reconsidering the mechanisms of neurodegenerative disease: a role for SARM signaling?

SARM

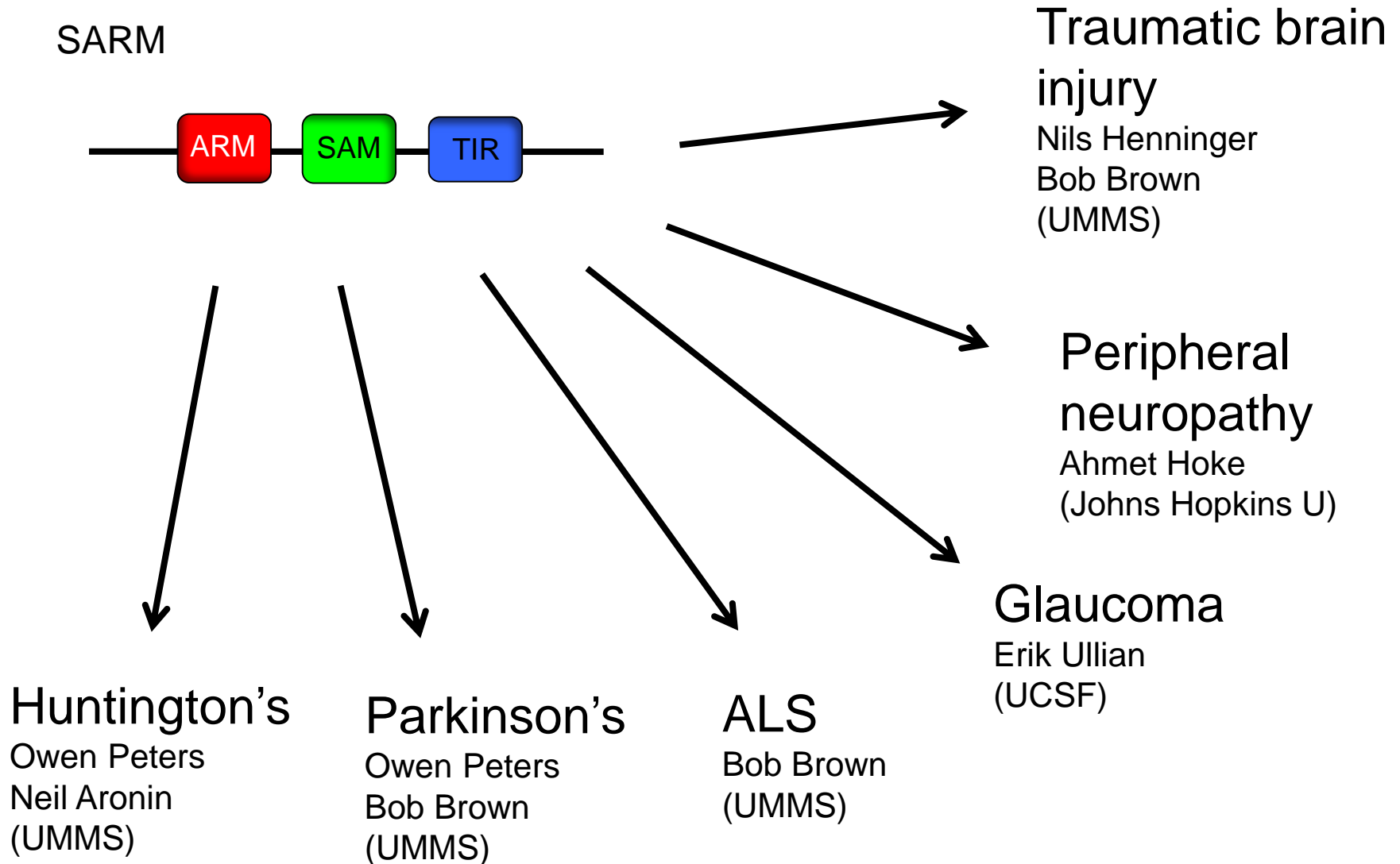


Are “axon death” pathways inappropriately activated in disease?

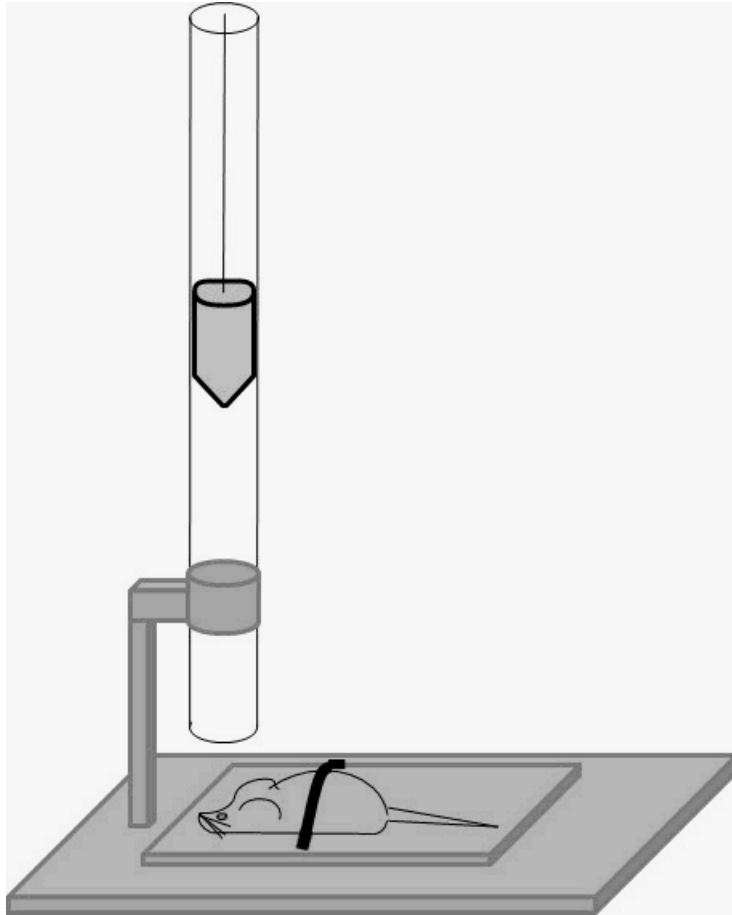
Could we therapeutically block “axon death” and suppress neurodegeneration?



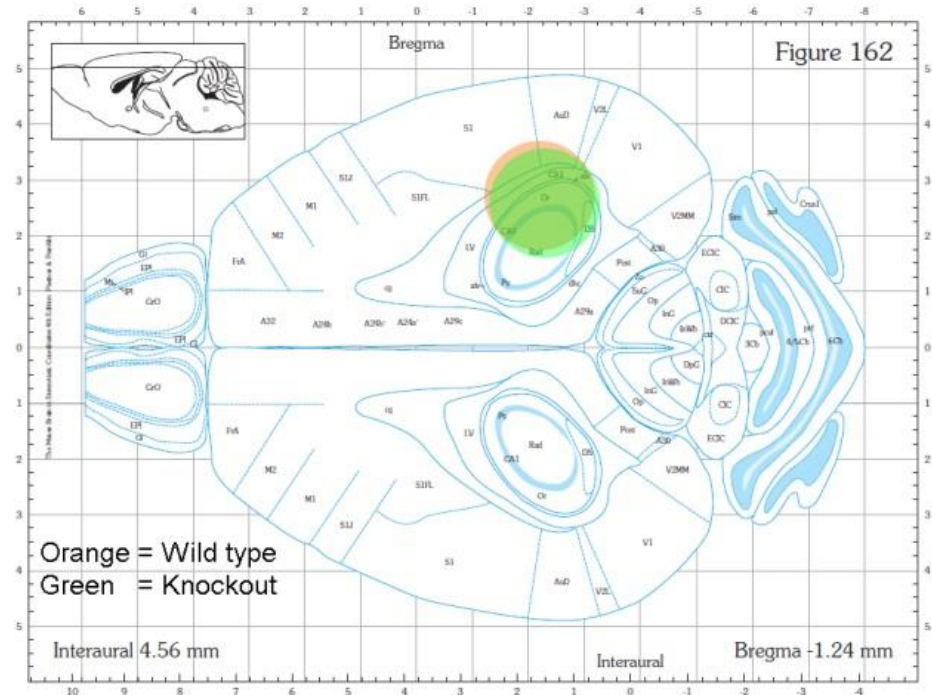
Reconsidering the mechanisms of neurodegenerative disease: a role for SARM signaling?



Weight drop method for closed-head mild traumatic brain injury (TBI)

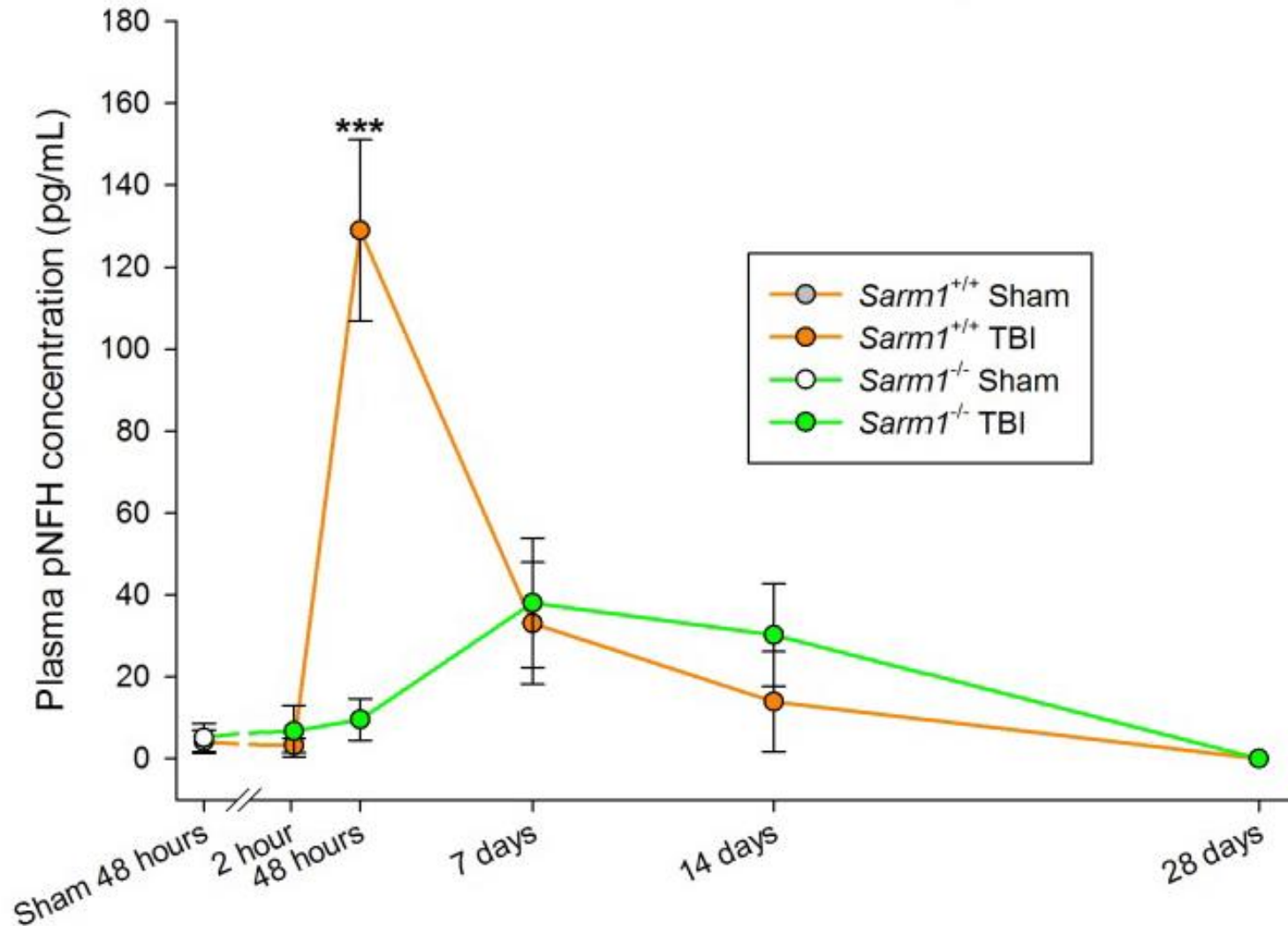


(Albert-Weißenberger *et al.*, 2012)



Nils Henninger
Bob Brown (UMass Neurology)

Elimination of SARM suppresses increases in brain proteins in blood after TBI

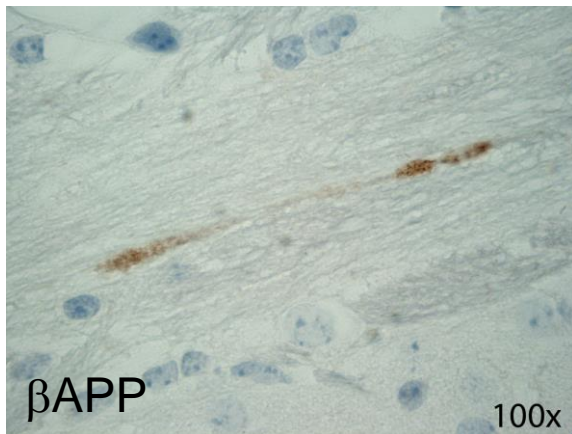


Elimination of SARM suppresses histopathology associated with TBI

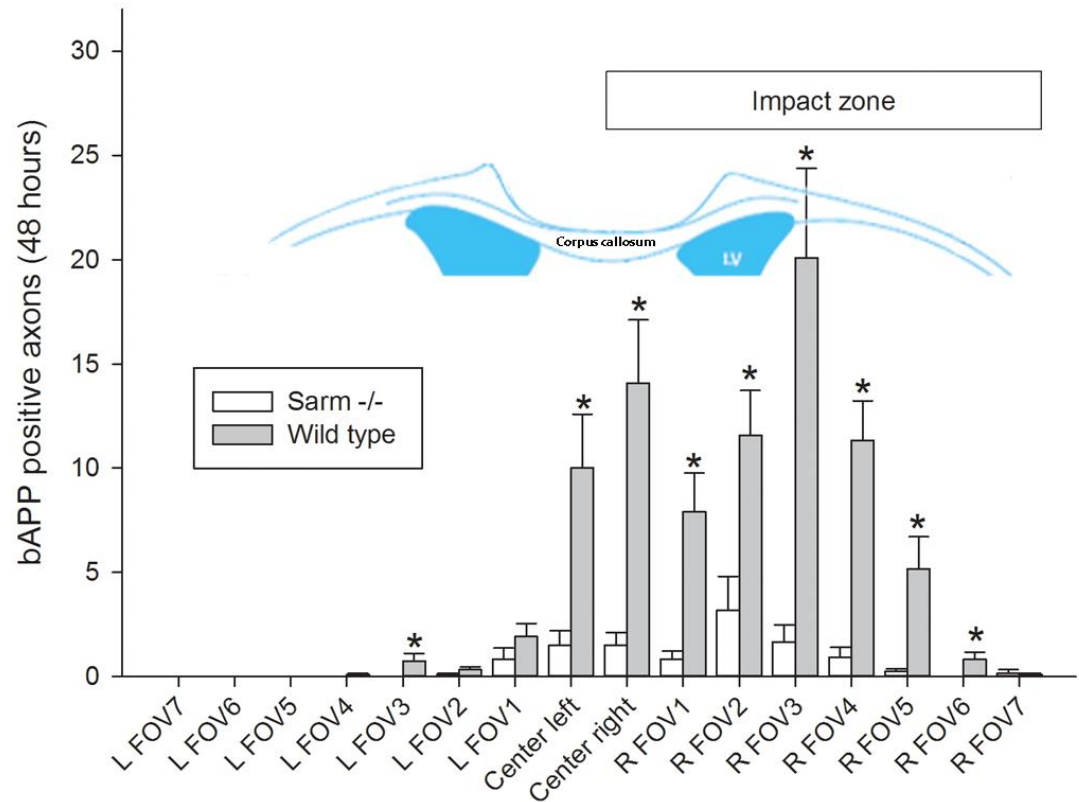
impact/trauma



β amyloid precursor protein aggregates



neurological deficits



Nils Henninger
Bob Brown (UMass Neurology)

Elimination of SARM protects animals from behavioral changes associated with TBI

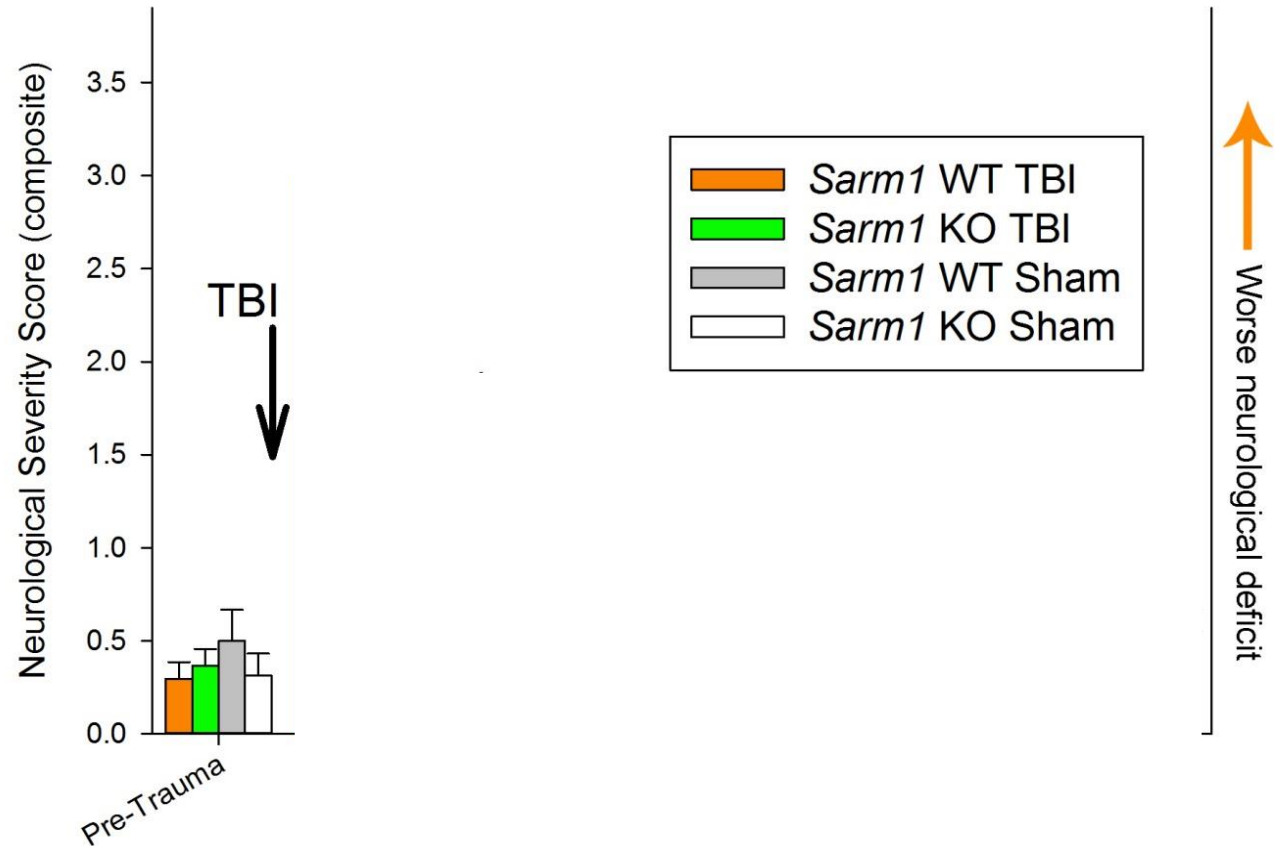
paresis (weakness)

walking

startle reflex

beam walking

exploratory behavior



Reconsidering the mechanisms of neurodegenerative disease: the role of SARM signaling?

SARM



Traumatic brain injury

Nils Henninger
Bob Brown
(UMMS)

Peripheral neuropathy

Ahmet Hoke
(Johns Hopkins U)

Glaucoma

Erik Ullian
(UCSF)

Huntington's

Owen Peters
Neil Aronin
(UMMS)

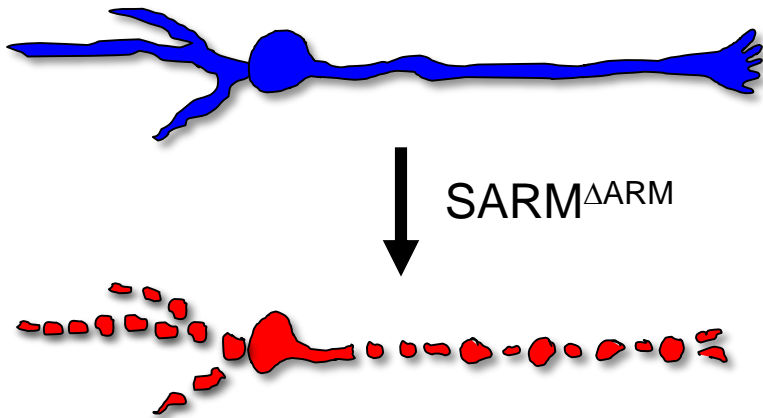
Parkinson's

Owen Peters
Bob Brown
(UMMS)

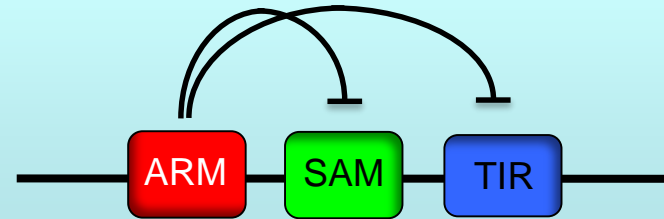
ALS

Bob Brown
(UMMS)

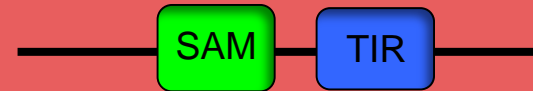
Designing drugs to block the function of human SARM



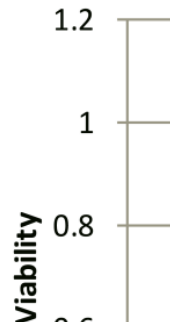
SARM (auto-inhibited) OFF



SARM Δ ARM ON



control

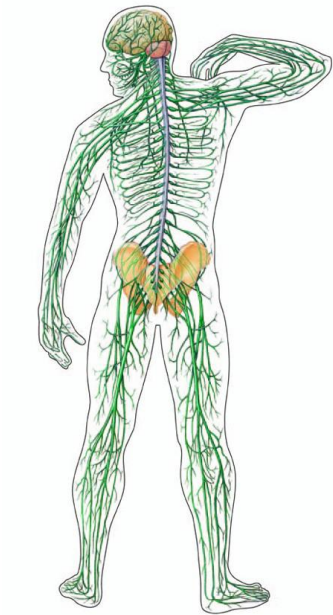


human
SH-SY5Y
cells

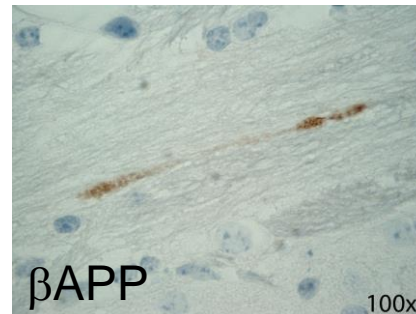
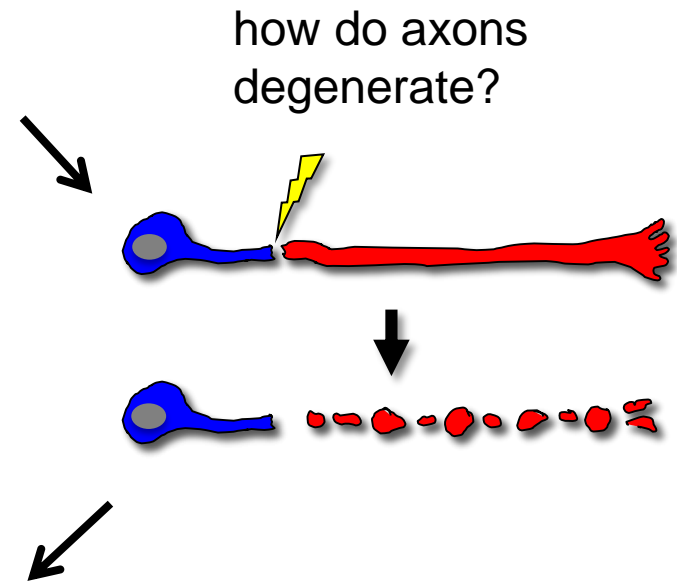
Neuro-Protective Therapeutics
(Steve McKnight/The Column Group)

Paul Meraner, Jack Wong (OHSU)
Steve McKnight (UTSW)

Invertebrate models are powerful vehicles for discovery in biomedical research



insights into
human disease



conserved axon
death pathway
(SARM)

The people that actually did the work...



The Worcester Foundation for Biomedical Research, NIH, HHMI, Michael J. Fox Foundation, ALS Therapy Alliance, Christopher and Dana Reeve Foundation



OHSU Management Incentive Plan Transition

DATE: September 2017 PRESENTED BY: Dan Forbes Vice President Human Resources



FY18 Management Incentive Plan Goals

- Improved transparency and reporting
- Greater alignment across OHSU's missions
- Remain market competitive

FY17 OHSU Incentive Plan Summary

1200 participants*		550 participants *		550 participants *		120 Participants s*		120 Participants *	
Provider/Faculty Plans		Healthcare Incentive Plan (MIP/PRP)		University Incentive Plan (UIP/PRP)		School of Medicine Incentive Plan		Misc. Departmental Incentive Plans	
1) RVU's		1) Hospital operating target 30% (Hurdle)		1) OHSU Operating Income (Hurdle) (10% for Exec Mgmt and Sr VP's)		1) Departmental Budget (Hurdle) – 34%		1) Misc.	
2) Quality		2) Patient Experience -10%		2) Individual Achievement (10% -15% depending level)		2) OHSU Operating Income – 33%			
3) Leadership		3) Patient Safety -10%		3) Council on Teaching Hospitals (5% - Sr VP's and above only)		3) Individual Goals - 33%			
4) Research		4) Enhance Inpatient Efficiency -10%							
5) Teaching		5) Individual Goals - 40%							
*Faculty and providers		*Healthcare management and unclassified staff		*Executive management, management, and staff		*School of Medicine management and unclassified staff		*Misc. management and staff	

FY18 OHSU Incentive Plan Summary

1200 participants*		1100 participants*		120 Participant s*		120 Participant s*	
Provider/Faculty Plans		OHSU Incentive Plan		School of Medicine Incentive Plan		Misc. Departmental Incentive Plans	
1) RVU's		1) People (20%)		1) Departmental Budget (Hurdle) – 34%		1) Misc.	
2) Quality		2) Health(20%)		2) OHSU Incentive Plan – 33%			
3) Leadership		3) Education (20%)		3) Individual Goals - 33%			
4) Research		4) Research(20%)					
5) Teaching		5) Finance (20%)					
*Faculty and providers		*Healthcare and University executives, management and unclassified staff		*School of Medicine management and unclassified staff		*Misc. management and staff	





Summary of changes

- Five areas of focus representing OHSU's mission
 - People, Health, Research, Education, and Finance
 - Previously more heavily weighted toward financial measures
- Healthcare and university management teams will have same metrics to determine
 - School Medicine incentive plans will also have tighter alignment



Thank You



Legal Department

t 503-494-5222
f 503-494-0917
e cuprillc@ohsu.edu
w ohsu.edu

Mail code L585
3181 S.W. Sam Jackson Rd.
Portland, OR 97239

Date: September 22, 2017
To: OHSU Board of Directors
From: Alice Cuprill-Comas, General Counsel
Re: Board Resolution 2017-09-13

Resolution 2017-09-13 concerns several governance matters. First, given the relatively small size of the Board and a desire to provide the Finance and Audit Committee a complete picture of the magnitude and complexity of the institution's financial assets, we propose folding the Investment Committee's functions into the Finance and Audit Committee. To affect this change, the Board-adopted Investment Policy and the Audit Committee Charter must be revised to grant authority over investment policy and oversight, to the Audit and Finance Committee, rather than the Investment Committee.

The resolution also provides for the formation of a Governance Committee that will provide the Chair input on Board appointments and assess the performance of the Board and its committees on an annual basis. Finally, the resolution sets out committee appointments.



**RESOLUTION 2017-09-13
OREGON HEALTH & SCIENCE UNIVERSITY
BOARD OF DIRECTORS**

(Approval of Board Policy, Committee Charters and Appointments)

WHEREAS, the Chairman of the Board of Directors has previously requested OHSU's Secretary and General Counsel to review of the Board's committee structure and governance mechanisms; and

WHEREAS, as a result of this review and upon the recommendation of the Secretary and General Counsel, the Board wishes to adopt certain amendments to its investment policy and committee structure and charters to guide the conduct of Board business and reconstitute the Board committees.

NOW, THEREFORE, BE IT RESOLVED:

1. **Investment Policy.** The Investment Policy attached hereto as Exhibit A is hereby approved, effective immediately.
2. **Finance and Audit Committee.** The Finance and Audit Committee Charter attached as Exhibit B is hereby approved, effective immediately, and shall replace any and all prior charters of the Finance and Audit Committee.
3. **Governance Committee.** The Board hereby establishes a "Governance Committee" and approves the Governance Committee Charter attached as Exhibit C, effective immediately.
4. **Committee Appointments.** The following persons shall be appointed to the following committees and shall serve at the pleasure of the Board of Directors:

Finance and Audit Committee

Amy Tykeson (Chair)
Wayne Monfries
Prashant Dubey
Joe Robertson

Human Resources Committee

Wayne Monfries (Chair)
Maria Pope
Prashant Dubey

Governance Committee

David Yaden (Chair)
Ruth Beyer
Maria Pope

Board Members Appointed to Integrity Program Oversight Council

Anantnoor Brar
Frank Toda

Board Members Appointed to University Health System Board

Joe Robertson
Prashant Dubey
Wayne Monfries

This Resolution is adopted this 28th day of September, 2017.

Yeas _____

Nays _____

Signed by the Secretary of the Board on September 28, 2017.

Connie Seeley
Board Secretary



OHSU BOARD POLICY

Policy Title: INVESTMENT

Resolution No: 2017-09-13

Dated: September 28, 2017

Page 1 of 6

PART A – GENERAL PROVISIONS

Purpose

This Investment Policy of Oregon Health & Science University (“OHSU” or “University”) sets forth policies to guide the day-to-day administration of all University investment activities. The contents of this policy are approved by the Board of Directors and are to be followed by administrative personnel.

Scope

All monies available for operation of the University (including departments or operating units which are part of the University) are covered by this policy. Monies derived from the sale of bonds or other financial obligations and monies held for Workers’ Compensation coverage and other risk management activities are also covered by this Policy. However, this policy does not apply to the investment activities of Oregon Health & Science University Foundation, to OHSU Insurance Company, to other entities owned or controlled by the University, or to monies held for deferred compensation or retirement plans.

The general powers of the OHSU Board of Directors, 1995 Oregon Laws, Chapter 162, Section 8 (codified at ORS 353.050), authorizes the University to:

“(6) Encourage gifts and donations for the benefit of the university and subject to the terms of the gift, retain, invest and use such gifts as deemed appropriate by the university.”

“(7) Acquire, receive, hold, keep, control, convey, manage, use, lend, expend and invest all funds, appropriations, gifts, bequests, stock and revenue from any source to the university.”

“(20) Purchase, receive, subscribe for or otherwise acquire, own, hold, vote, use, sell, mortgage, lend, pledge, invest in or otherwise dispose of and deal in or with the shares, stock or other equity or interest in or obligations of any other entity. The board may establish separate funds for such investments. The State of Oregon shall have no proprietary or other interest in such investments or such funds.”

Any gifts and donations received for the benefit of the University are governed by separate Board policy. Those gifts and donations deposited as Endowment Funds or designated by the Board as Quasi-Endowments are exempt from the provisions of this Investment Policy. This policy provides investment guidelines for Mission-Related Investments in Part B and for Ordinary Investments in Part C of this document.

Governing Laws and Accounting Method

All investments shall comply with applicable laws and regulations.

All investments of monies related to the sale of bonds and other tax-exempt obligations shall comply with all covenants with bondholders, bond insurers, and tax laws.

The University shall comply with Generally Accepted Accounting Principles (GAAP). The accounting principles include but are not limited to those issued by the Governmental Accounting Standards Board (GASB).

Investment Finance and Audit Committee

The performance of each of the University's investments shall be monitored quarterly by ~~a committee to be known as the Investment~~ the Finance and Audit Committee, by comparing the rate of return of the University's investments to appropriate benchmarks and/or comparable funds. The OHSU Board of Directors shall appoint not less than ~~two~~ three of its members to serve on the Investment Finance and Audit Committee. ~~The Chief Financial Officer shall appoint all other members of the Investment Committee. The Committee shall meet not less than quarterly to review the composition of the investment portfolio, review record keeping and financial reporting issues, and discuss other banking matters.~~

The performance of each Mission-Related Investment, as described in Part B, shall be monitored by the President or by the President's designee.

Banking Services

The University may contract with financial institutions to provide primary banking services, including cash and investment management services and securities custodial services. The ~~Investment Committee~~ Finance and Audit Committee shall review these functions annually and determine necessary changes to the contract and/or vendor. The University may contract with financial institutions to provide trust services for any proceeds derived from the sale of bonds or other financing obligations.

The University shall seek banking services in accordance with its Contracting and Purchasing policies. The ~~Investment committee~~ Finance and Audit Committee shall establish minimum qualifications for financial institutions to help ensure adequate safeguarding of University assets.

Voting Policy

The University shall exercise its voting responsibility with the goal of maximizing value consistent with governing laws and applicable investment policies. The University supports sound corporate governance practices within companies in which the University holds an investment.

With the exception of Mission-Related Investments, voting responsibility will be delegated to OHSU's money managers who should act in the best interests of the institution.

PART B – MISSION-RELATED INVESTMENTS**Definition**

Part B of this Investment Policy applies to all Mission-Related Investments. Part C of this Investment Policy shall not apply to Mission-Related Investments. As used in this policy, the term Mission-Related Investments means any investment of cash or other property for the purchase of debt or equity issued by any private, or not for profit or governmental corporation, partnership, joint venture, limited liability company, agency or instrumentality or other person or entity whose principal purpose is to engage in one or more of OHSU's statutory missions. Investments that are derived from or produced by the University's activities shall also be covered by Part B of this Investment Policy.

Investment Guidelines

The President or his/her designee may invest in Mission-Related Investments, provided that any single Mission-Related Investment in excess of \$1,000,000 or which, when aggregated with all other Mission-Related Investments then outstanding, exceeds .5% of total assets of the University, shall be approved by the Board in advance.

Records

The Comptroller shall maintain a record of all Mission Related Investments including the date, amount, nature and performance of each such investment. The [Investment Committee](#) [Finance and Audit Committee](#) shall monitor the performance of the investment.

Voting and Disposition

The following OHSU executives are authorized to vote shares that represent ownership interests in OHSU Mission-Related Investments, provided that such actions are in the best interests of OHSU: (i) for hospital Mission-Related Investments, the Chief Financial Officer of the Hospital is the authorized individual; and (ii) for all non-hospital Mission Related Investments, the designee of the [Investment Committee](#) [Finance and Audit Committee](#) is the authorized individual.

The [Investment Committee](#) [Finance and Audit Committee](#) shall oversee the disposition of shares that represent ownership interests in OHSU Mission-Related Investments. For Technology

Transfer and Business Development, the ~~Investment Committee~~[Finance and Audit Committee](#) shall establish measures, metrics and procedures for the acquisition and disposition of ownership interests in entities produced from the University's research activities.

PART C – ORDINARY INVESTMENTS

Objectives

As used in Part C of this Investment Policy, the term “investments” or “ordinary investments” means all investments other than Mission-Related Investments. The primary objective of administering the University's investment portfolio is the preservation of capital. The University shall maintain adequate liquidity to ensure availability of funds necessary to meet cash flow requirements while maximizing total return and maintaining compliance with all applicable laws and regulations.

Investment Strategy

Investments of monies for general operations will be managed to maximize total return, promote diversification and to provide for the seasonal, temporary and long-term cash flow needs of the University and to maintain preservation of capital. Diversification of investments may include the use of pooled investment programs, some of which may invest in alternative strategies such as derivative products or hedge funds so long as the aggregate risk profile of the pooled components is consistent with the Objectives and Prudence Standard criteria established within this Policy.

Monies set aside for capital construction shall be invested in maturities that provide for projected future cash flow requirements. Maturities, investment asset classes and individual securities within those asset classes will be managed to maximize total return while maintaining preservation of capital and providing for projected future cash flow requirements. Monies that are set aside for debt service will have maturities managed to maximize total return while maintaining preservation of capital and satisfying requirements in the applicable borrowing documents.

The University may maintain amounts perpetually in mutual or money market funds that are not deemed sufficient to invest efficiently, taking into consideration administrative costs, fees charged by the bond trustee, and difference in yield opportunities. The University may invest monies that are held by the bond trustee for payment of debt service during the following business day, in overnight or in mutual or money market funds.

Portfolio Structure and Performance

The University shall structure its investment portfolio in funds as deemed appropriate by the ~~Investment Committee~~[Finance and Audit Committee](#). The performance of the funds shall be monitored on at least a quarterly basis by comparing the returns to appropriate benchmark indices and/or comparable funds. On a quarterly basis, the ~~Investment Committee~~[Finance and Audit Committee](#) will review the most current cash projections of funds available for general

operations, capital construction and debt service to ensure that the duration of the University's investments is appropriate. ~~The Investment Committee shall periodically report the performance of the investment portfolio to the Finance and Audit Committee.~~

Banking and Investment Transactions

Only persons, including investment managers, designated by the ~~Investment Committee~~Finance and Audit Committee shall transact investments of University funds. Notification to all appropriate Banking Service Providers and broker/dealers will be made when authorization changes are made. In order to accomplish these purposes, the ~~Investment Committee~~Finance and Audit Committee by the signature of the chairperson shall authorize designated individuals and/or firms to buy, sell and transfer securities; to exercise the voting rights as security holders; to open and close bank accounts, investment accounts, and trust accounts; to enter into agreements regarding the accounts as may be required so that the accounts can be used for their intended purpose; to sign checks and other instruments withdrawing funds from the accounts; to authorize electronic and other fund transfers to withdraw funds from the accounts; to negotiate checks and other items payable to OHSU and its subsidiaries; and to otherwise conduct transactions on behalf of OHSU.

Prudence Standard

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Permitted Investments

See Exhibit A.

Payment/Delivery/Safekeeping

All securities purchased shall be held by a Securities Custodian in the University's name. Bond Funds shall be separately held and not co-mingled. Payment shall only be made for securities with receipt of sufficient evidence of title transfer that is consistent with modern banking practices. The University shall not deliver securities prior to receiving payment in full for the securities transferred. All transactions regarding principal and interest shall be made directly with the Securities Custodian.

Collateralization

The University Comptroller shall ensure University compliance with ORS Chapter 295 relating to depositories of public funds and securities. Where applicable, the University will maintain funds with a Primary Banking Services Provider that meets the Depository Bank definition of ORS 295.005. The Comptroller shall ensure that a Certificate of Participation has been issued by a Pool Manager (as defined under ORS 295.005) in an amount sufficient to cover University deposits maintained by the Primary Banking Services Provider and the Bond Trustee, if

applicable.

Internal Controls/Recordkeeping

The Comptroller shall ensure the following internal control objectives are met regarding the investment portfolio:

1. Proper authorization for each transaction;
2. Physical existence and proper ownership;
3. Proper valuation;
4. Adequate record keeping; and
5. Proper safekeeping of investments.

Internal controls shall be evaluated through internal or external audit not less than annually.

Revision History: Adopted December 7, 1995 (Resolution No. 1995-12-10)
Revised May 5, 1999 (Resolution No. 1999-05-02)
Revised August 3, 1999 (Resolution No. 1999-08-11)
Revised September 17, 2002 (Resolution No. 2002-09-07)
Revised December 7, 2004 (Resolution No. 2004-12-19)
Revised June 28, 2007 (Resolution No. 2007-06-06)
Revised May 5, 2010 (Resolution No. 2010-05-07)
Revised October 24, 2013 (Resolution No. 2013-10-05)

Exhibit B

Oregon Health & Science University Board of Directors Finance & Audit Committee Charter

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Committee Purposes

1. The OHSU Board Finance & Audit Committee will serve as advisors to the OHSU President or the President's designee for matters related to long term financial plans and annual budgets, review of financial results and performance goals, identifying and managing financial risk, and strategic financial decisions in relation to the overall mission of the organization.
2. The Committee will also assist the President or the President's designee by reviewing and advising on the quality and integrity of accounting, auditing, financial reporting and internal controls, which include obtaining annually, from a qualified independent public accountant, adequate assurance that appropriate accounting standards have been followed and that financial reports comply with applicable laws and regulations.
- 2-3. The Committee will serve as advisors to the President or the President's designee in formulating the University's overall investment policies, and establishing investment guidelines in furtherance of those policies. The Committee along with the Chief Financial Officer will monitor the management of the portfolio for compliance with the investment policies and guidelines and for meeting performance objectives over time.
- 3-4. The Committee is not authorized to make decisions for or recommendations to the Board of Directors but serves only in an advisory capacity to the President or the President's designee.

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Committee Membership

The Finance & Audit Committee will consist of no fewer than three members who shall be appointed and replaced by the Board and serve at the pleasure of the Board. At least one member of the Finance & Audit Committee shall have experience in financial reporting or analysis, or the Finance & Audit Committee shall obtain the services of an individual who has such experience.

The Board will designate one of its members to serve as Chair of the Committee, but if the Committee Chair is not so designated or he or she is absent or unable to serve, the members of the Committee may designate an acting Chair by majority vote of the full Committee membership.

Committee Meetings and Reports

The Committee will meet at least four times per year. The Committee's performance will be evaluated at least annually. As a body that is exclusively advisory to a single individual, no quorum is required or necessary for Committee business and shall not be constituted regardless of the number of members in attendance.

Budget and Finance Matters

The Committee will provide advice and counsel to the President or the President's designee as follows:

- Review and comment on financial assumptions and proposals preliminary to OHSU's annual operating and capital budgets.
- Review and comment on long-term financial plans prepared in connection with the mission and strategic plans, financings, acquisitions, partnerships and other decisions that involve long-term financial planning.
- Review and comment on the organization's performance against annual budgets and long-term plans, through review of financial reports and forecasts.
- Review and comment on financial strategies of the university, including sensitive business, financial or commercial matters not customarily provided to competitors related to financings, mergers, acquisitions or joint ventures or related to the sale or other disposition of, or substantial change in use of, significant real estate or personal property, or related to health system strategies, investment policy and performance, and debt and debt risk management.
- Review and comment on the portfolio of financial institutions that provide banking and lending services to the university, including market conditions and terms.

Audit Matters

The Committee will provide advice and counsel to the President or the President's designee on:

- The selection of an independent audit firm to provide annually a written opinion and other required communications on the consolidated financial statements of OHSU in accordance with auditing standards generally accepted in the United States of America.

- The independence of the audit firm from OHSU in both fact and appearance.
- The audit scope, engagement letter (which will include a designated member of the Committee as an addressee), and aggregate billings of the audit firm, including any non-audit services provided.
- The budget, structure, scope, findings and results of the university's internal audit program. The director of the internal audit program will meet with the committee twice annually.
- Issues concerning financial integrity and controls, fraud or misappropriation of resources, whether identified by management, internal audit, the independent audit firm or others, will be brought to the attention of the Committee and the full Board where appropriate.

Audit Firm Independence

In order to ensure the independence and integrity of the audit, the audit firm retained by OHSU must agree that:

- The partner conducting the audit must rotate off the audit no less often than every 7 years, for a period of at least 2 years.
- The audit firm may not have employed the OHSU President, OHSU Chief Financial Officer, Comptroller or Hospital Chief Financial Officer in the one year preceding the audit.
- Prior to performance by the audit firm of services outside the engagement letter that may bear on auditor independence, management shall consult with members of the Committee.

Investment Matters

The Committee will provide advice and counsel to the President or the President's designee on:

- Setting investment policies and guidelines, including policies and guidelines regarding asset classes, asset allocation ranges, and prohibited investments.
- Overseeing investment and reinvestment of funds. The Committee may delegate investment functions to officers and employees and to external investment managers.
- Monitoring the management of the funds by reviewing written reports from investment staff and by discussions with investment staff at Committee

meetings that focus on the primary determinants of returns, including asset allocation and investment strategy.

- Evaluating investment performance of the fund based on a comparison of actual returns, and with such other benchmarks as the Board or Committee may from time to time select. The evaluation will take into account compliance with investment policies and guidelines and risk levels.
- Review and recommend to the President or the President's designee an incentive compensation pool for professional investment staff.
- Periodically review and assess the adequacy of this charter and make recommendations for revisions.

**Oregon Health & Science University
Board of Directors**

Governance Committee Charter

Purpose

Members of the OHSU Governance Committee will serve as advisors to the Chair of the OHSU Board of Directors in matters related to board nominees and board performance assessments. The OHSU Board Chair will consult with them as appropriate prior to making any decisions or taking any actions within the scope of the matters described above. However, the Committee will not make recommendations as a body.

Scope

Members of the Governance Committee will assist the Board Chair in the following areas:

1. Based upon criteria set forth in the Board's governance principles, assisting OHSU with identifying individuals qualified to become Board members;
2. Assessing the performance of the Board and its committees on an annual basis; and
3. Such other matters pertaining to board membership and service as may be described in this Charter, as it may be amended from time to time.

Committee Membership

The Governance Committee will consist of no fewer than three members who shall be appointed and replaced by the Board and serve at the pleasure of the Board. The Board will designate one of its members to serve as Chair of the Committee, but if the Committee Chair is not designated or he or she is absent or unable to serve, Committee members may designate an acting Chair by majority vote of the full Committee membership.

Committee Meetings

The Committee will meet at least once during each fiscal year and periodically, as the Committee deems necessary to fulfill its responsibilities. The Committee will keep appropriate records of its activities. The Governance Committee's performance will be evaluated at least annually.



**RESOLUTION 2017-09-14
OREGON HEALTH & SCIENCE UNIVERSITY
BOARD OF DIRECTORS**

WHEREAS, the Board of Directors of Oregon Health & Science University wishes to recognize the service of Ken Allen on the OHSU Board since his appointment in December 2012, including his service on the Finance & Audit Committee, the Governance Committee, and the Integrity Program Oversight Council;

NOW THEREFORE, BE IT RESOLVED, that Oregon Health & Science University expresses its sincere appreciation for the valuable contributions and dedication of Ken Allen throughout his tenure on the Board of Directors and for advancing OHSU's missions of teaching, healing, discovery and outreach.

This Resolution is adopted this 28th day of September, 2017.

Yeas _____

Nays _____

Signed by the Secretary of the Board on September 28, 2017.

Connie Seeley
Board Secretary