OREGON HEALTH & SCIENCE UNIVERSITY

OHSU Board of Directors Meeting

April 19, 2011
SON – 358/364
1:30 – 3:00 p.m.

OREGON HEALTH & SCIENCE UNIVERSITY
BOARD OF DIRECTORS MEETING

Tuesday, April 19, 2011

1:30 – 3:00 p.m.

School of Nursing, Rooms 358 & 364

1:30 p.m.	Call to Order/ Chairman's Comments	Charles Wilhoite
	President's Comments	Joe Robertson
	Approval of Minutes **(Action)**	Charles Wilhoite
1:45 p.m.	Financial Report	Lawrence Furnstahl
2:00 p.m.	Integrity Program Oversight Council (IPOC) Appointment **(Action)**	Amy Wayson
2:05 p.m.	OHSU/OUS Collaborative Life Science Building **(Action)**	Lawrence Furnstahl David Robinson
2:20 p.m.	Research Mission Presentation	
2:40 p.m.	Legislative Update	David Robinson Connie Seeley
3:00 p.m.	Other Business; Adjournment	Charles Wilhoite

OREGON HEALTH & SCIENCE UNIVERSITY

Oregon Health & Science University
Board of Directors Meeting
February 15, 2011

Board Members in Attendance: Charles Wilhoite, Rachel Pilliod, Joe Robertson, MardiLyn Saathoff, Jay Waldron, Jon Yunker

Staff Presenters: Lawrence Furnstahl, Charles Kilo, Gary Chiodo, Michael Bleich

Chair's Comments

Mr. Wilhoite welcomed all in attendance and introduced the new CFO, Lawrence Furnstahl. With its oversight and fiduciary responsibilities, the CFO position is critical to OHSU. Mr. Furnstahl's experience at large institutions at other locations in the country provides important perspective to enable OHSU to effectively move forward. OHSU is very pleased to have him here.

Mr. Wilhoite commented that change is now constant; we are in a continuous period of self-examination and evaluation designed to drive improvement and position OHSU for the future in its various mission areas. On behalf of the Board, Mr. Wilhoite thanked everyone for their efforts on behalf of the institution.

President's Comments

Dr. Robertson reiterated the welcome of Mr. Furnstahl, commenting that OHSU's recruitment of Mr. Furnstahl created a stir in the academic health center community. Mr. Furnstahl has had a very successful career for more than two decades at the University of Chicago, beginning in 1983 with his employment in the University's finance department as an undergraduate economic student. Dr. Robertson recounted that early on, Mr. Furnstahl planned to attend graduate school in economics, but because he was so successful in each endeavor that he undertook on behalf of the institution, the University of Chicago prevailed on him to forego the pursuit of the graduate degree. Mr. Furnstahl will be a tremendous asset to OHSU, and the institution is delighted to have him here.

Dr. Robertson acknowledged Pitt Calkin for his service as the interim CFO. It was a challenging year as the economy emerged from the recession. Mr. Calkin's breadth of experience and steady presence were valuable in successfully guiding OHSU during this difficult time.

Moving to a focus on science, Dr. Robertson noted that Dr. Joe Gray, one of the world's foremost innovators in genomics and cancer research, is now at OHSU. Dr. Gray and his team come from the University of California and the Lawrence Berkeley National Laboratory as a part of a collaborative recruitment between the School of Medicine and the OHSU Knight Cancer Institute. Dr. Gray is the new Chair of the Department of Biomedical Engineering and holds the Gordon Moore Endowed Chair in Biomedical Engineering. He is at OHSU to launch the Center for Spatial Systems Biomedicine. His team is investigating how molecular aberrations in cancer cells function as a system – an area that is key to the future of cancer research and integrates well with the efforts of Dr. Brian Druker and the OHSU Knight Cancer Institute. The recruitment of Dr. Gray and Mr. Furnstahl, as well as a number of other high caliber recruitments in individual departments, speak to the progress, growth and promise at OHSU.

The Governor released a proposed budget reflecting a 20% reduction for OHSU and a 57% cut for the Child Development and Rehabilitation Center (CDRC.) Dr. Robertson noted that this is only the beginning of the budget process and OHSU will continue to advocate for funding for the CDRC. OHSU recognizes that public officials are in a difficult position as they face this year's budget, and OHSU will work closely with elected officials to provide as many services for the people of this state as possible within the financial constraints that we face. OHSU is joined in its advocacy by "The Oregon Idea," a coalition of small business owners, CEO's, community leaders, and alumni of Oregon's community colleges and universities with a vision of investing in post-secondary education today in order to further economic prosperity tomorrow. This message is consistent with what is evidenced at OHSU -- a dollar invested in OHSU is leveraged many times throughout Oregon's economy.

Dr. Robertson mentioned that in recent visits with both Moody's and Fitch, both rating agencies were impressed with OHSU's FY 09 and FY10 performance, as well as our year-to-date figures. OHSU's rating was upgraded by Moody's from "A2" to "A1" as a result of that performance and a recalibration of OHSU in the higher education sector. Dr. Robertson expressed his appreciation to everyone who worked to dramatically improve the bond ratings over the last 18 months. Dr. Robertson noted that Moody's and Fitch were also impressed by the recruitment of Mr. Furnstahl and with the relationship between OHSU and the Foundation.

The national search for a Provost has been officially launched. The Search Committee includes Dr. Charles Allen from the Faculty Senate; Dr. Michael Bleich, Dean of the School of Nursing; Dr. Jack Clinton, Dean of the School of Dentistry; Dr. Dan Dorsa, Vice President for Research; Jesse Hollander, Vice President of OHSU's Student Council; Mariann Hyland, Director of Affirmative Action and Equal Opportunity, and Dr. Sima Desai from the Diversity Advisory Council; Dr. Roy Koch, Portland State University Provost and Vice President for Academic Affairs; Dr. Mark Richardson, Dean of School of Medicine; Connie Seeley, Chief of Staff; David Yaden from the OHSU Board; and Dr. Mark Zabriskie, Oregon State University Dean of the College of Pharmacy. The new Provost should be in place by the beginning of the fall semester.

OHSU continues to remain involved in healthcare reform. In addition to the Oregon Health Policy Board, Dr. Robertson has been appointed to the Health System Transformation Design Team. This team is chaired by Dr. Bruce Goldberg and Mike Bonetto, the Governor's Health Policy Advisor. The committee is charged with health system redesign with particular focus on public payers.

Dr. Robertson mentioned OHSU's new media campaign called the "OHSU Effect." The campaign involves TV and print ads, reflects that OHSU is greater than the sum of the parts and highlights the synergy achieved by the interface of OHSU's missions. The campaign is modest by marketing standards, but is significant for OHSU.

Dean Bleich will be discussing a landmark Institute of Medicine study in which he was deeply involved called "The Future of Nursing." This is the first comprehensive report on the role of nursing in the evolving healthcare system and it frames the challenges for nurses in the next 25 years. Dean Bleich received the American Association of Critical Care Nurses Award in November for his involvement in the project.

Approval of Minutes

Mr. Wilhoite asked for approval of the minutes of the November 1, 2010 Board meeting, included in the Board Docket. Upon motion duly made and seconded, the minutes were unanimously approved.

Financial Update

Referencing the December 31, 2010 financial information in the Board packet, Mr. Furnstahl opened his remarks by noting that the balance sheet is key to maintaining the excellent improvement in our bond rating. Year-to-date, as of December 31, 2010, we had 177 days of cash on hand, which was above budget and right on our internal target of 177 days. The debt service coverage ratio measures the ability of earnings to cover the principle and interest on our debt. The minimum required ratio is 1.5. We had a year-to-date ratio of 3.3, above our internal target of 3.1. Moving to the operating statement, the month-to-date net income from operations for the University was $1.6 million above budget. The $10.9 million dollar deficit for the University, when compared to the $9.6 million budgeted deficit, is largely attributable to the timing of the Foundation's transfers to the University. The funds are at the Foundation and we expect to catch-up as the fiscal year proceeds. The total net income year-to-date as of December 31, 2010 for the University, including investment returns, is $387,000.

On the Hospital side, the December 31, 2010 financial statements reflect strong performance. The month-to-date net income from operations reflects a surplus for the month of approximately $1.5 million, bringing us to nearly $30 million in operating income for the first 6 months of the year, which is $16.8 million better than budget. This performance is attributable to an increase in surgical volume, strong case mix and good control of expenses.

Referring to the unrestricted consolidated Operating Statement, Mr. Furnstahl noted that year-to-date the unrestricted consolidated net income from operations is well above budget, as is total net income. Taking into account restricted funds, total net income is nearly $30 million through the first six months of the fiscal year, against a budget of about $11 million. This result is driven particularly by the performance of the Hospital and a slightly slower pace of regular capital expenditures.

Responding to a question from Mr. Wilhoite, Mr. Furnstahl explained that the two core drivers for being ahead of budget are the case mix index of patients (which correlates with the growth of surgical activity) and the very tight expense controls. Our focus will need to be on achieving sustainable financial performance at a time when several external factors, including state and federal budget reductions, the impact of the economy on our private insurance share, and the end of stimulus grants, will bring additional pressure to bear on our budget.

Health System Annual Quality Report

Dr. Kilo, Chief Medical Officer, opened his remarks by explaining that the primary components of the quality program at OHSU include Quality and Safety Management, Clinical Informatics and Health Information Management, Medical Affairs, Regulatory Affairs, Clinical Risk Committee, Graduate Medical Education, and Infection Control. These units report to the Professional Board, which reports to the UHS Board, which in turn reports to the OHSU Board of Directors. Considerable activity is occurring in each of these arenas.

Dr. Kilo described some of the activity over the last year including staffing the Quality & Safety Management program under the new Director, Troy Schmit, launching of Lean Improvement Methodologies under Mr. Schmit's guidance, and engagement of Juni Muhota as the new Manager of

the Medical Affairs Office. Dr. Mike Lieberman, an Internist, serves as Associate Chief Health Information Officer, has primary responsibility for clinical reporting, and has been tasked with filling a number of positions and identifying resources for optimal use of data in our clinical information systems for effective quality improvement activities. With Amy Wayson's assistance the Professional Staff Bylaws have been rewritten. This was a substantial body of work involving more detail than expected. We are also restructuring the Professional Board, the Quality Executive Council, the Safety Executive Council, the Physician's Committee, and the Clinical Risk Committee to optimize efficiency in improving the quality of patient care throughout OHSU. Training is beginning in a GE product called "Change Acceleration Process," which is a package of change management tools. The Safety Program is also being redesigned. Responding to a question from Mr. Wilhoite, Dr. Kilo indicated that Mike Lieberman's clinical reporting position was a new position, while other staffing has involved filling vacant positions.

Acknowledging the national debate about healthcare reform, Dr. Kilo noted that, irrespective of what happens regarding the Patient Protection and Affordable Care Act, the onus is on leadership in Oregon, including leaders at OHSU, to move forward with reform. OHSU is positioned well relative to value-based purchasing because of the work done on performance improvement and adding value. We are also well positioned on both the ambulatory care side and the inpatient side to meet "meaningful use" criteria relative to our health information technology, an area of great focus at this time. "Meaningful use" relates to meeting certain defined criteria in one's use of health information technology in order to be entitled to reimbursement by CMS.

Dr. Kilo commented that there is much focus on accountable care organizations, but it is currently unclear what will happen in that area. Governor Kitzhaber is likely to make cuts that impact Medicaid funding, Medicare, OEBB and PEBB public employees. Work also continues around comparative effectiveness to ensure that all practices are evidence-based. OHSU's Center for Evidence-based Policy is involved in this work nationally.

Dr. Kilo reported on the aggregate mortality metrics from the University HealthSystem Consortium (UHC), which consists of 110 academic medial centers. Referring to materials provided to the Board, Dr. Kilo noted that in 2009, OHSU's observed mortality rates were under expected mortality rates. Our ranking among academic medical centers was slightly above the middle of the pack in this area. In 2010, our spread between observed and expected mortality substantially improved, resulting in our being ranked in the top quartile of UHC institutions. Given our heavily surgical case mix, this improvement is testament to the hard work and dedication of the surgeons with complex patients. Referencing the 2010 Quality and Accountability Scorecard, Dr. Kilo noted that on an aggregate basis, year-to-year, there is variability in these metrics. As an example, from 2009 to 2010, the equity metric went from 65 to 1, while the safety metric went down considerably. OHSU did not operate substantially differently over this period, so it is important to not over interpret what is "common cause variation." Dr. Kilo observed that the system is functioning within a normal range of performance and he does not think that here is anything out of alignment there. That said, metrics are taken seriously, and any shortcomings are thoroughly investigated. Responding to a question from a Board member, Dr. Kilo indicated that the aggregate data included in the UHC ranking is based on approximately ten metrics that we examine. Taking those metrics into account, Dr. Kilo does not believe that there is significant variation between 2010, 2009 and 2008 from a safety perspective.

Full reaccreditation was achieved from the Joint Commission in October following a good site visit. Although the Joint Commission issued some minor citations, we have responded effectively to them and passed the standards of the Joint Commission. Yesterday and today the Health System is undergoing a

Ventricular Assist Device Joint Commission Survey, and again the team did well. On the basis of the exit interview we anticipate two very minor suggestions with no citations.
Referring to the FY 11 Quality Objectives included in the Board materials, Dr. Kilo noted that many of the objectives will roll over into FY 12. We are currently in a foundation-building mode, which involves a re-design of the Professional Board, Quality Executive Council, and the Safety Executive Council. The objectives, as well as current specific clinical targets and clinical targets to be set for FY 12, are important in strategically sharpening our focus on quality and laying the necessary foundation for quality.

Referring to slides depicting organizational improvement paths and building effective change capacity, Dr. Kilo commented on change capacity. Typically, healthcare organizations do not have a high change capacity and most are not substantially different today than they were 20 years ago. Accomplishing change on a short timeline requires a strategic rather than a project approach to change – and this strategic approach is what we are interested in, although we are not there yet. Institution leaders are discussing what needs to occur at OHSU to lay this groundwork and also how to achieve real change agility. The work to be done to achieve change agility includes developing the right infrastructure around quality, developing the right knowledge base around performance improvement, reaching an alignment of culture, putting the right people in place, and ensuring that leadership is positioned to execute on and support the quality initiatives. These are the areas where we are accomplishing good work.

Responding to a Board member question regarding efforts to address institutional gaps relative to effective change capacity, Dr. Kilo explained that a number of initiatives such as "Lean" and "Change Acceleration Process" (CAP) training have begun in efforts to quickly drive strategic change. Ideally, a period of explanation and conversation precedes the launching of Lean training, but in order to shorten the time frame for improvement and change, we are having the conversation at the same time as we are training. Responding to a Board member question about the source of the effective change graphs provided in the Board materials, Dr. Kilo indicated that they are based on Dr. Kilo's observations over the years and are consistent with the "Baldrige Criteria" [for Performance Excellence.] The OHSU School of Nursing is pursuing a Magnet application [American Nurses Credentialing Center (ANCC) Magnet Recognition Program], which is similar to Baldrige. Dr. Kilo believes that OHSU's utilizing the Baldrige Criteria would be beneficial in the future. Opportunities for individual development include CAP and Lean training, a School of Medicine Management program called "Paths to Leadership," MBA programs, and one-on-one coaching.

Responding to a Board member question about desired outcomes with these efforts and measurement of progress against such outcomes, Dr. Kilo commented that no true metric of change agility or capacity exists. However, meeting the Baldrige Criteria is a good indicator that the elements are in place that are key to change capacity. Lean allows for some measurement of results. We will also measure performance utilizing our clinical metrics (including clinical outcomes and patient experience outcomes) and our performance relative to top quartile and top decile UHC institutions.

Referring to the slide about Change Acceleration Process, Dr. Kilo commented that the plan is to train 80 people in the next month and a half. The CAP training provided thus far has been well received.
Referring to the Lean slide, Dr. Kilo noted that Lean is simultaneously a waste reduction methodology and a maximization of value that the system produces for the end consumer. Dr. Kilo has had the opportunity to spend time with Jim Womack, the author of the Lean methodology book called "The Machine that Changed the World" and accompanied him on a visit to the Mayo Clinic to look at

inefficiencies in their system. Dr. Kilo recently spent time with non-healthcare institutions in Portland that have been using Lean. OHSU will begin some leader-to-leader interactions with those companies in efforts to learn from their experiences.

Mr. Wilhoite thanked Dr. Kilo for his report and efforts, noting that Dr. Kilo's enthusiasm is significant in achieving quality results and in getting people to embrace the notion of change.

Integrity Program Annual Report

Dr. Chiodo pointed out two high risk initiatives that have garnered special attention at the national level. First, the Recovery Audit Contractors (RAC) are auditing firms engaged by the Center for Medicare and Medicaid Services (CMS) to perform audits related to facility and professional fee billing. Their intent is to recover funds that have been improperly paid to healthcare institutions under federal programs. The second high risk area relates to billing for services that are delivered within a clinical research trial. OHSU may not charge third party payers for a service under a clinical trial if it is sponsored by a grant or contract or the relevant consent form indicates that there is no charge for the service. If the service is billable, then the correct code modifiers must be used to note that the service was delivered as a part of a clinical trial. The Patient Protection and Affordable Care Act earmarks $1.5 billion for audits and the recovery of funds that have been paid for clinical services in research trials. With missteps in this area, in addition to fines, institutions may be placed under Corporate Integrity Agreements (CIA's) that end up costing more than the fines themselves.

OHSU's RAC Task Force has been in operation for two years. It includes people with compliance and billing expertise and it is functioning well. We have been the subject of both automated reviews (audits run via a code that sample a few hundred of our claims to identify outlier claims) and complex reviews (audits of identified claims that require OHSU's provision of full documentation and patient records.) Thus far, OHSU's experience has been good, with successful challenges to a number of claim denials and with some instances where RAC auditors have identified instances of under-billing.

Medicare Area Contractor (MAC) audits have begun. The MAC auditors review claims after the RAC auditors complete their review. The MAC auditor's review puts any RAC audit result on hold for what may be an indefinite time, which can significantly delay any RAC audit refunds due OHSU. RAC Managed Care Audits have also begun. We are using software to track all of the various audits to ensure that no balls are dropped.

Responding to a question from a Board member, Dr. Chiodo explained that we are able to benefit from the experience of other institutions. Because the RAC audits started at institutions on the east coast, we were able to use a year's worth of data from those institutions to determine where the auditors were looking. Similarly, OHSU was able to look at the CIA's from other institutions and ensure that strong controls were in place for high-risk areas in clinical research billing.

Regarding clinical research billing, an outside consultant's review resulted in the creation of the Clinical Research Billing office at OHSU, and an investment in software to manage the clinical research billing.

The Fiscal Year 2011 Work Plan, published by the Office of the Inspector General (OIG) in October 2010 provides insight into the clinical compliance risk areas that will receive particular governmental scrutiny. Several items on the 2011 plan were also on the 2010 plan, reflecting particular focus by the OIG. The

Fiscal Year 2011 Work Plan also includes several items related to quality, an indication that the OIG is very interested in the connection between compliance and quality.

Medicaid audits are anticipated in mid-2011. The RAC Task Force will respond to the Medicaid audits, as well as the RAC and MAC audits. The Health System's Health Information Management Department is assisting by centralizing outpatient coding to ensure an organized approach for assembling necessary information for audits. In response to a Board member question about the release of ICD10, Dr. Chiodo explained that ICD stands for the International Code of Diagnosis and is a system of coding for services that we deliver. Health Information Management and the Epic team are working to ensure that the ICD10 codes are in sync with the coding audits.

In the area of research, the focus is on information and tissues, including blood samples, collected in a clinical or research context. The oversight of human research repositories is the focus of ongoing attention nationally. The ability to share data between investigators on a national level is critical to research, but there are concerns regarding privacy and security and variation among states about protections afforded via Genetic Privacy Acts. There is interest at the national level to change laws to achieve consistency across all states.

The Association for the Assessment and Accreditation of Laboratory Animal Care, International (AAALACi) site inspectors performed a site visit at OHSU in the summer of 2010. Following their extensive review of the animal research protection program and facilities, they granted continued accreditation of the program, which has been fully accredited since 1966. We have hired a new Research Integrity Officer, a former AAALACi site visitor, so he will help ensure that OHSU keeps its accreditation.

Regarding biosafety, we conduct research involving select agents and toxins that can pose a severe threat to public health and safety. The top risk level is Biosafety Level 4; research at OHSU is conducted up to Biosafety Level 3. In the last two years, OHSU has experienced a 58% increase in research using select agents and toxins. Proposed federal regulations would increase the oversight and control of the agents and toxins that are used in research.

NIH's Office of Biotechnology Activities (OBA) oversees compliance with select agent and toxin regulations. OHSU was selected for a September 2010 site visit because of the rate of growth in research using these agents. OBA's written summary and exit interview following its site visit were very complimentary of the OHSU program, although they noted three administrative issues to be addressed, all of which have since been addressed.

Regarding conflict of interest, what was formerly the Grassley Amendment has been incorporated into the Patient Protection and Affordable Care Act. Starting in 2013, industry is required to disclose amounts paid to scientists, investigators, doctors and institutions. OHSU policy currently requires that our employees disclose payments from industry. Responding to a Board member, Dr. Chiodo explained that both the individuals and the companies will be required to report the same information.

In 2009, the NIH proposed substantial revisions to their regulations for conflict of interest in research that are highly restrictive. After significant feedback, the regulations have been reworked and are expected to be finalized in a few months. OHSU has a long-established process for conflict of interest in research management.

Dr. Chiodo provided statistics regarding complaints of breaches of information privacy and security received by the Office of Civil Rights, the agency that enforces HIPAA. Self-reporting requirements are triggered where an alleged breach of the privacy/security of protected health information involves 500 or more patient records. Electronic health records present a challenge in that they can pose a heightened risk of breach, yet the imposition of controls to protect information negatively impacts efficiency.

Dr. Chiodo touched briefly on a number of additional areas in compliance. Regarding internal audit, three auditors in the Integrity Department completed 27 projects in 2010. Regarding integrity education, we continue with periodic education. An OSHA module was added this year for those subject to OSHA requirements. In the area of Environmental Health and Radiation Safety, there has been heightened interest nationally and heightened focus at OHSU in the area of fire and life safety. Responding to a question from Mr. Wilhoite about staffing, Dr. Chiodo said that the three auditors are responsible only for the audit side. When Dr. Chiodo started as Corporate Compliance Officer in 2000, there were only two people in the Integrity Department. Over time, other groups such as Healthcare Compliance and Environmental Health & Radiation Safety have moved into the Integrity Department, resulting in a total head count of 60 people.

Ms. Saathoff, Chair of the IPOC Committee, stated that she has been very impressed with Dr. Chiodo's work with the IPOC Program. Dr. Robertson added that as a Department Chair in the late 1990's, he worried about the PATH [Payment for Academic Teaching Hospitals] audits and their implications for the institution. Since that time, he has seen a significant culture change at OHSU, and the establishment of the right people and competencies to drive compliance. Dr. Robertson complimented Dr. Chiodo and everyone involved in compliance for their efforts.

Institute of Medicine Report on the Future of the School of Nursing

Dr. Bleich detailed the final celebratory events for the 100th anniversary for the School of Nursing, including a planned visit on March 14 by Dr. Donna Shalala, former Secretary of Health & Human Services under the Clinton administration. Ms. Smith-Conrad, an internationally acclaimed opera singer will be the keynote individual for the April 28 closing gala ceremony. Ms. Conrad's story of overcoming major issues of discrimination at the University of Texas in Austin is the subject of a PBS documentary called "When I Rise."

Dr. Bleich outlined the executive summary of the Institute of Medicine report included in the Board docket. The Institute of Medicine is comprised of scientists, physicians, and other individuals that function under the National Academies of Science. All work created under the Institute of Medicine must be evidence-based and is reviewed by an independent panel of scientists to assure that the work meets the needs of the public. Issues studied include quality of care and new scientific discoveries.

The Institute's "Future of Nursing" was the first comprehensive report on nursing in the history of the discipline. With more than 3 million nurses, nursing is the largest profession in the nation's healthcare workforce. The Gallop Poll has consistently ranked nurses as the most trusted of all professions in our society (other than firefighters the year of 9/11); however, another study showed that very few people understand what nurses do. Nurses practice in a variety of settings including school clinics, public health, long-term care and acute-care. Quality outcomes are directly related to the quality of the management and administration of medical care provided by nurses.

The Institute of Medicine report was written over a 17-month period during which Congress was debating healthcare reform. Portions of the report required rewriting in response to commentary about reform and access to care. Nursing will play a big role in addressing the issue of access to care. Our country's healthcare system has not been designed to accommodate the 32 million more Americans that need care. The vision for the future involves access for diverse populations and promotion of wellness and disease prevention. In order to contain costs, it will be critical to address disease prevention and abatement so that diseases such as diabetes do not progress in severity, to improve health outcomes and to provide compassionate care across the life span.

The committee responsible for the Report was charged with looking at nursing through the eyes of the public. Two years were spent researching healthcare stakeholders' views -- what the business community understands and needs from nursing and what people want from nursing. Coordination and interprofessional collaboration are discussed in the report, as are rewards for value, not volume, of services and affordability of care. The 18-member Committee was inter-professional (only 5 nurses participated) and inter-generational.

The first key message of the Report is that nurses should practice to the full extent of their education and training. Many health care systems manage risk by curtailing the activity of health care professionals, instead of optimizing their knowledge, skills and abilities.

The second message is that the work of nursing requires higher levels of education and training. The baccalaureate degree is the entry level for practice in most countries outside of the United States. In the U.S., we have lowered the education requirements to meet supply and demand issues. Faculty shortages and the need for nurses in key leadership positions will not be solved unless more nurses complete the baccalaureate degree. Oregon's leadership in this area was highlighted in the report for the creation of the Oregon Consortium for Nursing Education.

The third message is about nurses as full partners with physicians. Reform in healthcare and driving the kinds of change discussed by Dr. Kilo requires the engagement of the largest workforce at the point of care. The report asks that nurses be recognized and engaged as a full partner with physicians and other healthcare professionals.

The final message in the Report relates to effective workforce planning. A few years ago, a goal was set to double the number of nurses in Oregon. This goal has nearly been achieved, and we have a robust pipeline in place, but there has been a shift in the availability of positions, and no one has slowed the pipeline down. A nursing shortage still remains in places where people do not want to work and in places involving less than ideal circumstances. An important charge to the Oregon Health Authority is to better address supply, demand and staging of the workforce.

In addition to these four key messages, the Report includes eight recommendations, including one related to advance practice nursing. Oregon is among the states with the most progressive laws allowing advanced practice nurses to practice independently. Clinical outcome evidence reflects that primary care can be delivered safely and effectively (although not exclusively – we need physicians) by such nurses. Responding to a Board member question about what Oregon can do to improve in the area of scope of nursing care, Dr. Bleich said that although Oregon is more progressive in this area, a bill was introduced in the current legislative session that would restrict scope of practice. This reflects that vigilance is required to resist practice barriers for advanced practice nursing.

Dr. Bleich commented again on the need for OHSU to play a role in educating nurses, the need for the full partner status of nursing including opportunities for nursing representation in leadership, and the need for workforce planning and policy. The number of nurses holding doctorate degrees must be doubled by 2020 to have the necessary leaders, scientists on interdisciplinary teams, and teachers. Locally and nationally, the use of metrics and analytics must be improved to properly project inter-professional workforce needs.

Dr. Bleich concluded his remarks by noting that the Report is not an effort by nurses for nurses. Rather it reflects the input and work of multiple stakeholders to understand the centrality of nursing to the healthcare system, particularly as we look at models of care that may not be physician-led. We need the help of many to bend the cost curve, increase access to care and accomplish the policy, education and service area work that needs to be done.

Adjournment

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

Respectfully submitted,

Amy M. Wayson
Board Secretary

OHSU FY11 February YTD Financial Results (8 months)

OHSU Board of Directors
April 19, 2011

OREGON HEALTH & SCIENCE UNIVERSITY

OHSU FY11 Financial Results through February (8 months)
Summary Compared to Budget

- OHSU operating income through February—including hospital, university unrestricted and restricted funds but before the foundations—totals $23m (see summary table on next page)
- These "all-funds" earnings are nearly $25m above budget, reflecting:
  - $15m improvement against budget in the hospital, with increased surgical volume in the months before February, continued tight control of variable expense and holding vacancies open
  - $(2)m budget shortfall in unrestricted university operations, largely reflecting slower than anticipated draws on gift funds held at the foundations
  - $12m positive variance from budget in restricted funds:
    - This is basically the net of depreciation expense for buildings and other physical plant funded from grants, offset by capitalization credits from new grant-funded capital spending, put on the balance sheet and then depreciated in future years
    - The FY11 budget underestimated the offsetting capitalization credits
- The first two components (hospital + university unrestricted) comprise unrestricted obligated group earnings, which at $21.7m represents a 2.1% operating margin, consistent with first half results reported at the February 15th meeting

OHSU FY11 Financial Results through February (8 months)
Earnings by Major Unit

February YTD Financial Results by Major Unit - 8 Months (millions)

	FY10 Actual	FY11 Budget	FY11 Actual	Actual - Budget
Operating Income:				
Hospital	$42.6	$18.1	$33.7	$15.6
University unrestricted	(1.6)	(9.7)	(12.0)	(2.3)
Unrestricted obligated group	41.0	8.4	21.7	13.3
Restricted funds	(0.2)	(10.2)	1.3	11.5
OHSU operating income before foundations	40.8	(1.8)	23.0	24.9
Investment total return & other	23.7	19.7	21.9	2.2
Net income	64.5	17.9	45.0	27.1
Unrestricted foundation gain (loss)	26.5		28.8	
Capital gifts & other	1.5		1.4	
Increase in net worth (8 months)	92.5		75.1	
Beginning net worth (6/30)	1,079.3		1,186.4	
Ending net worth (2/28)	$1,171.8		$1,261.6	

OHSU FY11 Financial Results through February (8 months)
Revenues & Expenses Compared to Last Year

- The table below presents OHSU operating income by major revenue and expense line; this presentation is helpful in showing year-over year changes
- Compared to last year's actual through February, revenues are up 6.5%, driven by higher patient care and grant activity (which is up, but not quite as much as budgeted)
- Expenses have increased somewhat faster, up 8% over FY10
- Compensation growth reflects the variable costs of supporting patient care and grant activity, contract and merit increases for staff, and progress in adjusting physician salaries to competitive benchmarks; services & supplies include spending on research grants as well as investments supporting business model redesign

February YTD Operating Results by Revenue & Expense Line - 8 Months (000)

	FY10 Actual	FY11 Budget	FY11 Actual	Actual - Budget	Actual / Last Year
Net patient revenues	816.3	865.6	870.4	4.8	6.6%
Grants & contracts - direct	215.5	240.9	230.5	(10.4)	7.0%
Indirect cost recovery	41.5	47.7	45.2	(2.5)	9.0%
Gifts	19.6	23.0	18.8	(4.2)	-4.0%
Net tuition & fees	31.3	33.0	33.6	0.6	7.4%
State appropriations	26.5	25.1	23.9	(1.2)	-9.7%
Other revenues	54.6	58.0	60.5	2.5	10.9%
Operating revenues	1,205.1	1,293.3	1,282.8	(10.5)	6.5%
Salaries & benefits	668.4	755.0	726.9	(28.0)	8.8%
Services & supplies	403.4	442.0	437.7	(4.3)	8.5%
Depreciation	67.5	70.5	70.7	0.2	4.9%
Interest	25.0	27.6	24.4	(3.2)	-2.2%
Operating expenses	1,164.3	1,295.1	1,259.8	(35.3)	8.2%
OHSU operating income before foundations	40.8	(1.8)	23.0	24.9	-43.5%

OHSU FY11 Financial Results through February (8 months)
Balance Sheet and Cash Flow

- The next page summarizes the OHSU balance sheet and cash flow through February
- In addition to $23m of operating income, OHSU recorded of $52m of non-operating gains, largely from investment returns on unrestricted funds held both at OHSU and at the foundations
- This results in a total increase in OHSU unrestricted net worth of $75m through 8 months, an increase of 6% to $1,262m
- Cash & investments held at OHSU are up $28 million, reflecting positive operating and investment income before depreciation, offset by capital spending and debt repayment
- Days cash on hand continues to increase, reaching 180 days on February 28, 2011, compared to 162 days budgeted and the internal target of 177 days
- The improvement in days cash against budget is a direct result of higher income, combined with somewhat slower capital spending

OHSU FY11 Financial Results through February (8 months)
Balance Sheet & Cash Flow

February YTD Balance Sheet and Cash Flow - 8 Months (millions)

	6/30/10	2/28/11	$ Change	% Change
Cash & investments	$310.1	$337.8	$27.7	9%
Cash at OHSU insurance company	64.6	67.4	2.8	4%
Unrestricted interest in foundations	145.5	174.3	28.8	20%
Accounts receivable	262.6	269.3	6.7	3%
Net physical plant	1,214.4	1,206.5	(7.9)	-1%
Long-term debt	(727.6)	(710.4)	17.2	-2%
Working capital & other, net	(83.2)	(83.4)	(0.2)	0%
Net worth	$1,186.4	$1,261.6	$75.1	6%

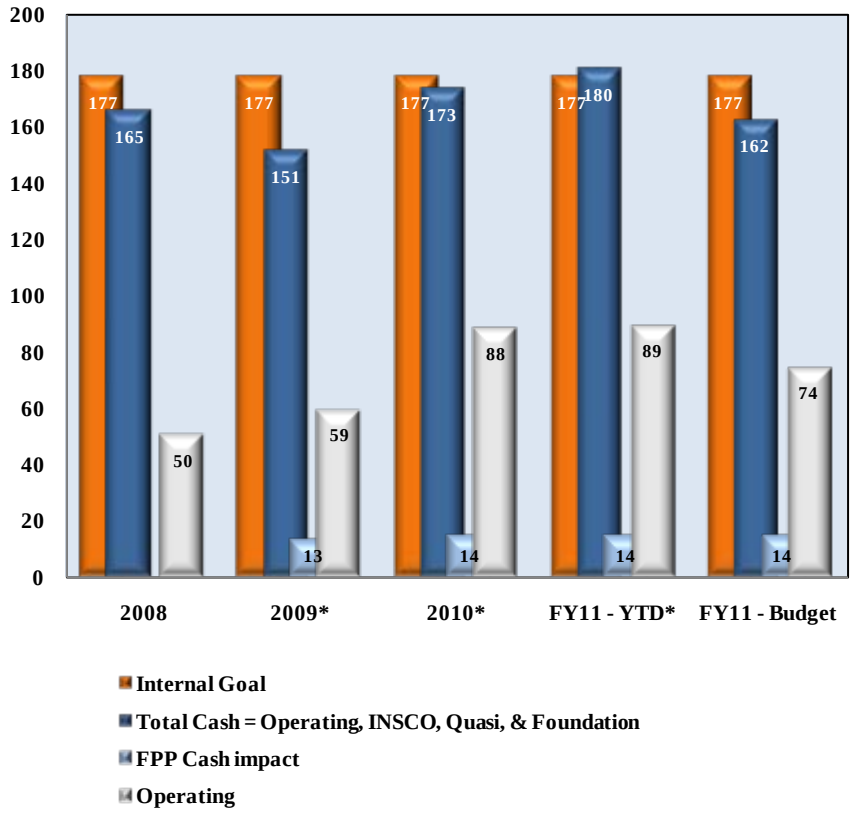
FY11 February YTD Cash Flow:	
Operating income	$23.0
Depreciation	70.7
Investment total return & other	21.9
Capital gifts & other	1.4
Sources of cash	117.1
Capital spending	(62.9)
Debt repayment	(17.2)
Working capital & other	(9.3)
Uses of cash	(89.4)
Sources less uses of cash	27.7
Beginning cash & investments	310.1
Ending cash & investments	$337.8

FY 11 Days Cash on Hand/Debt Service Ratio for February 28, 2011

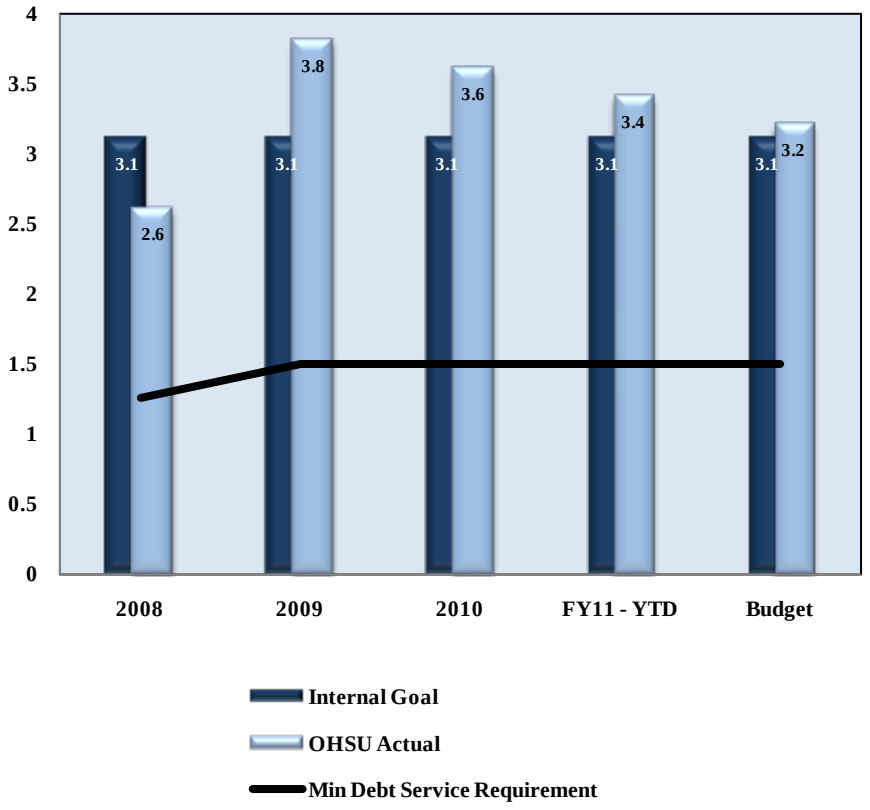
(Does Not Include Restricted)

(in thousands)

Consolidated Days Cash on Hand - YTD



Debt Service Coverage Ratio



FY 11 Operating Statement as of February 28, 2011

(Does Not Include Foundations)

(in thousands)

Hospital	YTD Prior	YTD Budget	YTD Current	YTD Variance	% Change Year to Year
REVENUES:					
Net Patient Revenue	$ 650,488	$ 692,726	$ 694,297	$ 1,571	6.7%
Gifts	447	413	293	(120)	(34.5%)
State Appropriations	872	831	788	(43)	(9.6%)
Sales/Services/Other	39,006	48,294	44,400	(3,894)	13.8%
Total Revenue	**$ 690,813**	**$ 742,264**	**$ 739,778**	**(2,486)**	**7.1%**
EXPENSES:					
Salaries and Benefits	$ 303,919	$ 344,368	$ 332,847	$ 11,521	(9.5%)
Services and Supplies	259,814	290,096	286,478	3,618	(10.3%)
Hospital Overhead Cost Allocation	36,163	38,717	37,972	745	(5.0%)
Depreciation	34,692	36,484	35,583	901	(2.6%)
Interest	13,641	14,517	13,172	1,345	3.4%
Total Expenses	**648,229**	**724,182**	**706,052**	**18,130**	**(8.9%)**
Operating Income (Loss)	**$ 42,584**	**$ 18,082**	**$ 33,726**	**15,644**	**(20.8%)**
Investment Income	$ 5,220	$ 7,578	$ 6,518	(1,060)	24.9%
Unrealized Change in FV of Investments	2,925	-	(2,284)	(2,284)	(178.1%)
Other Non-Operating Activity	(377)	(167)	5	172	101.3%
Net Income (loss) before other changes in net worth	**$ 50,352**	**$ 25,493**	**$ 37,965**	**12,472**	**(24.6%)**
Net worth, beginning of year	**$ 556,529**		**$ 632,605**		
Other changes in net worth:					
Gift & Grant Funded Capital	501		-		
Other	550		-		
Total other changes in net worth	**$ 1,051**		**$ -**		
Change in net worth	**$ 51,403**		**$ 37,965**		
Net worth, to date	**$ 607,932**		**$ 670,570**		
Operating Margin	6.2%	2.4%	4.6%	2.2%	(1.6%)
Total Margin	7.2%	3.4%	5.1%	1.7%	(2.1%)

FY 11 Operating Statement as of February 28, 2011

(Does Not Include Foundations)

(in thousands)

University Unrestricted	YTD Prior	YTD Budget	YTD Current	YTD Variance	% Change Year to Year
REVENUES:					
Net Patient Revenue - Faculty Practice & Other	$ 164,080	$ 171,504	$ 174,037	$ 2,533	6.1%
Grants & Contracts/Direct	14,043	14,720	13,172	(1,548)	(6.2%)
Indirect Cost Recovery	41,470	47,733	45,191	(2,542)	9.0%
Hospital Internal Arrangements	31,948	39,448	41,713	2,265	30.6%
Gifts	17,850	22,577	17,019	(5,558)	(4.7%)
Student Tuition and Fees	31,289	33,043	33,607	564	7.4%
State Appropriations	25,589	24,249	23,117	(1,132)	(9.7%)
Sales/Services/Other	46,376	47,640	51,370	3,730	10.8%
Total Revenue	**$ 372,645**	**$ 400,914**	**$ 399,226**	**$ (1,688)**	**7.1%**
EXPENSES:					
Salaries and Benefits	$ 267,788	$ 294,912	$ 294,235	$ 677	(9.9%)
Services and Supplies	107,836	116,390	118,191	(1,801)	(9.6%)
Hospital Overhead Cost Allocation	(36,163)	(38,717)	(37,972)	(745)	5.0%
Restricted Overhead Cost Allocation	(507)	(247)	(536)	289	5.7%
Depreciation	23,960	25,134	26,074	(940)	(8.8%)
Interest	11,332	13,123	11,250	1,873	0.7%
Total Expenses	**374,246**	**410,595**	**411,242**	**(647)**	**(9.9%)**
Operating Income (Loss)	**$ (1,601)**	**$ (9,681)**	**$ (12,016)**	**$ (2,335)**	**(650.5%)**
Investment Income	$ 1,436	$ 3,199	$ 3,071	$ (128)	113.9%
Unrealized Change in FV of Investments	10,624	6,107	8,468	2,361	(20.3%)
Other Non-Operating Activity	1,364	1,323	3,100	1,777	127.3%
Net Income (loss) before other changes in net worth	**$ 11,823**	**$ 948**	**$ 2,623**	**$ 1,675**	**(77.8%)**
Net worth, beginning of year	**$ 448,175**		**$ 475,726**		
Other changes in net worth:					
Unrestricted Net Gain (Loss) from Foundation	$ 26,475		$ 28,827		
Gift & Grant Funded Capital	(2,101)		(2,132)		
Other	(729)		489		
Total other changes in net worth	**$ 23,645**		**$ 27,184**		
Change in net worth	**$ 35,468**		**$ 29,807**		
Net worth, to date	**$ 483,643**		**$ 505,533**		

Operating Margin	(0.4%)	(2.4%)	(3.0%)	(0.6%)	(2.6%)
Total Margin	3.1%	0.2%	0.6%	0.4%	(2.5%)

FY 11 Operating Statement as of February 28, 2011

(Does Not Include Foundations)

(in thousands)

Obligated Group	YTD Prior	YTD Budget	YTD Current	YTD Variance	% Change Year to Year
REVENUES:					
Net Patient Revenue	$ 803,318	$ 852,335	$ 854,029	$ 1,694	6.3%
Grants & Contracts/Direct	14,043	14,720	13,172	(1,548)	(6.2%)
Indirect Cost Recovery	41,470	47,733	45,191	(2,542)	9.0%
Gifts	18,297	22,990	17,312	(5,678)	(5.4%)
Student Tuition and Fees	31,289	33,043	33,607	564	7.4%
State Appropriations	26,461	25,080	23,905	(1,175)	(9.7%)
Sales/Services/Other	60,253	64,134	65,503	1,369	8.7%
Total Revenue	**$ 995,131**	**$ 1,060,035**	**$ 1,052,719**	**$ (7,316)**	**5.8%**
EXPENSES:					
Salaries and Benefits	$ 568,002	$ 631,843	$ 619,202	$ 12,641	(9.0%)
Services and Supplies	303,028	330,780	326,264	4,516	(7.7%)
Restricted Overhead Cost Allocation	(507)	(247)	(536)	289	5.7%
Depreciation	58,652	61,618	61,657	(39)	(5.1%)
Interest	24,973	27,640	24,422	3,218	2.2%
Total Expenses	**954,148**	**1,051,634**	**1,031,009**	**20,625**	**(8.1%)**
Operating Income (Loss)	**$ 40,983**	**$ 8,401**	**$ 21,710**	**$ 13,309**	**(47.0%)**
Investment Income	$ 6,656	$ 10,777	$ 9,589	$ (1,188)	44.1%
Unrealized Change in FV of Investments	13,549	6,107	6,184	77	(54.4%)
Other Non-Operating Activity	987	1,156	3,105	1,949	214.6%
Net Income (loss) before other changes in net worth	**$ 62,175**	**$ 26,441**	**$ 40,588**	**$ 14,147**	**(34.7%)**
Net worth, beginning of year	**$ 1,004,704**		**$ 1,108,331**		
Other changes in net worth:					
Unrestricted Net Gain (Loss) from Foundation	$ 26,475		$ 28,827		
Gift & Grant Funded Capital	(1,600)		(2,132)		
Other	(179)		489		
Total other changes in net worth	**$ 24,696**		**$ 27,184**		
Change in net worth	**$ 86,871**		**$ 67,772**		
Net worth, to date	**$ 1,091,575**		**$ 1,176,103**		
Operating Margin	4.1%	0.8%	2.1%	1.3%	(2.0%)
Total Margin	6.1%	2.5%	3.8%	1.3%	(2.3%)

FY 11 Operating Statements as of February 28, 2011

(Does Not Include Foundations)

(in thousands)

Restricted	YTD Prior	YTD Budget	YTD Current	YTD Variance	% Change Year to Year
REVENUES:					
Net Patient Revenue	$ 12,967	$ 13,281	$ 16,369	$ 3,088	26.2%
Grants & Contracts/Direct	201,422	226,150	217,296	(8,854)	7.9%
Gifts	1,284	-	1,476	1,476	15.0%
Sales/Services/Other	364	768	1,094	326	200.5%
Total Revenue	**$ 216,037**	**$ 240,199**	**$ 236,235**	**$ (3,964)**	**9.3%**
EXPENSES:					
Salaries and Benefits	$ 100,432	$ 123,108	$ 107,738	$ 15,370	(7.3%)
Services and Supplies	106,485	118,136	117,553	583	(10.4%)
Restricted Overhead Cost Allocation	507	247	536	(289)	(5.7%)
Depreciation	8,799	8,929	9,084	(155)	(3.2%)
Total Expenses	**216,223**	**250,420**	**234,911**	**15,509**	(8.6%)
Operating Income (Loss)	**$ (186)**	**$ (10,221)**	**$ 1,324**	**$ 11,545**	**(811.8%)**
Investment Income	$ 629	$ 1,621	$ 1,151	$ (470)	83.0%
Unrealized Change in FV of Investments	1,907	49	1,887	1,838	(1.0%)
Net Income (loss) before other changes in net worth	**$ 2,350**	**$ (8,550)**	**$ 4,362**	**$ 12,912**	**85.6%**
Net worth, beginning of year	**$ 74,582**		**$ 78,081**		
Other changes in net worth:					
Gift & Grant Funded Capital	3,309		3,360		
Other	-		(356)		
Total other changes in net worth	**$ 3,309**		**$ 3,004**		
Change in net worth	**$ 5,659**		**$ 7,366**		
Net worth, to date	**$ 80,241**		**$ 85,447**		

Operating Margin	(0.1%)	(4.3%)	0.6%	4.9%	0.7%
Total Margin	1.1%	(3.5%)	1.8%	5.3%	0.7%

FY 11 Operating Statements as of February 28, 2011

(Does Not Include Foundations)

(in thousands)

OHSU Consolidated Operations *prior to Foundations*	YTD Prior	YTD Budget	YTD Current	YTD Variance	% Change Year to Year
REVENUES:					
Net Patient Revenue	$ 816,285	$ 865,616	$ 870,398	$ 4,782	6.6%
Grants & Contracts/Direct	215,465	240,870	230,468	(10,402)	7.0%
Indirect Cost Recovery	41,470	47,733	45,191	(2,542)	9.0%
Gifts	19,581	22,990	18,788	(4,202)	(4.0%)
Student Tuition and Fees	31,289	33,043	33,607	564	7.4%
State Appropriations	26,461	25,080	23,905	(1,175)	(9.7%)
Sales/Services/Other	54,551	57,993	60,478	2,485	10.9%
Total Revenue	**$ 1,205,102**	**$ 1,293,325**	**$ 1,282,835**	**$ (10,490)**	**6.5%**
EXPENSES:					
Salaries and Benefits	$ 668,434	$ 754,951	$ 726,940	$ 28,011	(8.8%)
Services and Supplies	403,447	442,007	437,698	4,309	(8.5%)
Depreciation	67,451	70,547	70,741	(194)	(4.9%)
Interest	24,973	27,640	24,422	3,218	2.2%
Total Expenses	**1,164,305**	**1,295,145**	**1,259,801**	**35,344**	**(8.2%)**
Operating Income (Loss)					
Hospital	*42,584*	*18,082*	*33,726*	*$ 15,644*	*(20.8%)*
University Unrestricted	*(1,601)*	*(9,681)*	*(12,016)*	*(2,335)*	*(650.5%)*
Restricted	*(186)*	*(10,221)*	*1,324*	*11,545*	*811.8%*
Operating Income (Loss)	**$ 40,797**	**$ (1,820)**	**$ 23,034**	**$ 24,854**	**(43.5%)**
Investment Income	$ 7,285	$ 12,398	$ 10,740	$ (1,658)	47.4%
Unrealized Change in FV of Investments	15,456	6,156	8,071	1,915	(47.8%)
Other Non-Operating Activity	987	1,156	3,105	1,949	214.6%
Net Income (loss) before other changes in net worth	**$ 64,525**	**$ 17,891**	**$ 44,950**	**$ 27,059**	**(30.3%)**
Net worth, beginning of year	**$ 1,079,286**		**$ 1,186,412**		
Other changes in net worth:					
Unrestricted Net Gain (Loss) from Foundation	$ 26,475		$ 28,827		
Gift & Grant Funded Capital	1,709		1,228		
Other	(179)		133		
Total other changes in net worth	**$ 28,005**		**$ 30,188**		
Change in net worth	**$ 92,530**		**$ 75,138**		
Net worth, to date	**$ 1,171,816**		**$ 1,261,550**		
Operating Margin	3.4%	(0.1%)	1.8%	1.9%	(1.6%)
Total Margin	5.3%	1.4%	3.5%	2.1%	(1.8%)

FY 11 Balance Sheet as of February 28, 2011

(Does Not Include Foundations)

(in thousands)

	Hospital				University Unrestricted				Obligated Group			
	Year End 2010	YTD	Change: Favorable (Unfavorable)	% Change	Year End 2010	YTD	Change: Favorable (Unfavorable)	% Change	Year End 2010	YTD	Change: Favorable (Unfavorable)	% Change
Cash and Investments[1]	$ 369,682	$ 406,573	$ 36,891	10.0%	$ (26,721)	$ (39,297)	$ (12,576)	(47.1%)	$ 342,961	$ 367,276	$ 24,315	7.1%
Receivables	152,285	150,577	(1,708)	(1.1%)	56,586	63,834	7,248	12.8%	208,871	214,223	5,352	2.6%
Property, Plant and Equipment	514,794	513,273	(1,521)	(0.3%)	699,592	693,232	(6,360)	(0.9%)	1,214,386	1,206,505	(7,881)	(0.6%)
Long Term Debt	(393,571)	(383,500)	10,071	2.6%	(334,027)	(326,870)	7,157	2.1%	(727,598)	(710,370)	17,228	2.4%
Interest in Foundation	-	-	-	0.0%	145,502	174,329	28,827	19.8%	145,502	174,329	28,827	19.8%
Other	(10,585)	(16,353)	(5,768)	(54.5%)	(65,206)	(59,695)	5,511	8.5%	(75,791)	(75,860)	(69)	(0.1%)
Net Worth	$ 632,605	$ 670,570	$ 37,965	6.0%	$ 475,726	$ 505,533	$ 29,807	6.3%	$ 1,108,331	$ 1,176,103	$ 67,772	6.1%

(1)University Cash and Investments includes the impact of OHSU Insurance Company consolidation resulting in an increase of cash of $64,576 & $67,409 in FY 10 & FY11 respectively.

FY 11 Balance Sheet as of February 28, 2011

(Does Not Include Foundations)

(in thousands)

Restricted	Year End 2010	YTD	Change: Favorable (Unfavorable)	% Change
Cash and Investments	$ 31,719	$ 37,888	$ 6,169	19.4%
Receivables	54,229	55,544	1,315	2.4%
Other	(7,867)	(7,985)	(118)	(1.5%)
Net Worth	$ 78,081	$ 85,447	$ 7,366	9.4%

FY 11 Balance Sheet as of February 28, 2011

(Does Not Include Foundations)

(in thousands)

Consolidated Operations *prior to Foundations*	Year End 2010	YTD	Change: Favorable (Unfavorable)	% Change
Cash and Investments[(1)]	$ 374,680	$ 405,164	$ 30,484	8.1%
Receivables	262,602	269,293	$ 6,691	2.5%
Property, Plant and Equipment	1,214,386	1,206,505	$ (7,881)	(0.6%)
Long Term Debt	(727,598)	(710,370)	$ 17,228	2.4%
Interest in Foundation	145,502	174,329	$ 28,827	19.8%
Other	(83,160)	(83,371)	$ (211)	(0.3%)
Net Worth	$ 1,186,412	$ 1,261,550	$ 75,138	6.3%

(1)University Cash and Investments includes the impact of OHSU Insurance Company consolidation resulting in an increase of cash of $64,576 & $67,409 in FY 10 & FY11 respectively.

RESOLUTION 2011-04-02
OREGON HEALTH & SCIENCE UNIVERSITY
BOARD OF DIRECTORS

WHEREAS, OHSU's Integrity Program Oversight Council ("IPOC") was established pursuant to Board Resolution 1999-11-12 to provide high-level oversight of the OHSU Integrity Program, and it includes OHSU Board members and high-level employees.

WHEREAS, with the appointment of Lawrence Furnstahl as OHSU's Chief Financial Officer, the Board wishes to appoint Mr. Furnstahl as a member of the Integrity Program Oversight Council.

NOW, THEREFORE, BE IT RESOLVED:

Lawrence Furnstahl is hereby appointed as a member of the Integrity Program Oversight Council, to serve at the pleasure of the Board.

This Resolution is adopted this 19th day of April, 2011.

Yeas _____

Nays _____

Signed by the Secretary of the Board on April 19, 2011.

_____
Amy M. Wayson
Board Secretary

OREGON HEALTH & SCIENCE UNIVERSITY

OHSU

Collaborative Life Science Building

Presented by:

David W. Robinson, Ph.D. Interim Provost

Lawrence Furnstahl, CFO

Daniel M. Dorsa, Ph.D. Vice President for Research

CLSB Update

David. W. Robinson, Ph.D.

- Phase I of the Collaborative Life Sciences Building (CLSB) refers to the project with the Oregon University System that I presented for Board approval last September.

- To allow the planned early May 2011 issuance by the State of $110 million in bonds to fund development and construction of the CLSB, the OHSU Board approved OHSU's entry into the CLSB documents on April 6, 2011.

- The Tenancy in Common Agreement, the Ground Lease Agreement and the Proceeds Trust Agreement were all signed on Monday April 11 2011.

- The State Bond Preliminary Official Statement should be published this week, the $40 million of donor funds have been transferred into an escrow account and the bond sale is expected to close by mid-May.

- The Tax Compliance Agreement will be finalized and signed in next few weeks once the bonds are priced.

CLSB Construction Update

- The Project Steering Committee has selected an architectural team for the project – SERA/CO.
    - **SERA Architects** will perform the role of Executive Architect and has been assisting with the development of Portland and the State of Oregon since its inception in 1968
    - **Co Architects** will be performing the role of Design Architect and has been dedicated to the programming, planning and design of academic facilities for over 20 years.
- The Steering Committee has reviewed 6 companies to perform the role of CMGC. Final selection is expected to occur within the next few weeks.
- A RFP is presently underway to identify an Owner's Representative for the project and selection should occur within a month.

School of Dentistry Blue Ribbon Panel

- A blue ribbon panel of industry leaders, dental professionals, faculty, students, alumni and donors was charged with charting a course for the future of dental education in Oregon, in a time where the School of Dentistry faces a unique set of opportunities and challenges

- The panel examined how to deliver dental education while addressing some key issues facing the School of Dentistry such as: the current facilities of the School of Dentistry, the potential role of the CLSB on the South Waterfront, the potential of adding new education programs, capital funding requirements and optimum configuration for a new dental clinic, workforce needs in the face of federal and state health care reform, and a long-term trend of declining state general fund support

Blue Ribbon Panel Recommendation

- The Blue Ribbon Panel formally recommend to President Robertson the construction of a new SoD clinical facility adjacent to the CLSB

- This recommendation arose out of a detailed analysis of the School and its programs over the late summer and early fall.

- Building on the recently revised SoD strategic plan, and the chance to expand its programs, the panel reviewed a detailed space and programmatic plan that would meet the future dental needs of Oregonians

- A OHSU Foundation is actively working with the School of Dentistry to raise $30 million dollars to help fund the construction of this facility on the north side of the CLSB site.

CLSB Research Program summary

Daniel Dorsa, Ph.D.

OUS Dedicated Educational Space

- Portland State University
  - General Biology
  - General Chemistry
- Oregon State University
  - Pharm.D. Program 3rd & 4th year class increasing from 75 to 90

OUS Dedicated Research Space

- PSU Research Laboratories
- OSU Pharmacy Practice Department from CHH
- OSU Pharmaceutical Science Department – New Investigators
- UO Un-programmed Research Laboratories

Shared Space

- Common Research Services
- Inter-institutional Collaborative Space

CLSB Facilitates Powerful recruitments

- Pioneering scientist **Joe Gray, Ph.D.,** and a dream team of collaborators from the Lawrence Berkeley National Laboratory will launch the **OHSU Center for Spatial Systems Biomedicine (OCSSB)** in the collaborative building

  - Joint recruitment by OHSU and Knight Cancer Institute
  - Hailed by media as critical both to OHSU and to Oregon
  - Philanthropy made recruit possible

CLSB Research Program Summary

OHSU Center for Spatial Systems Biomedicine (OCSSB)

10,000 sq ft "Vibration free Space": Nanoscale Light and Electron Microscopy

10,000 sq ft wet lab, computational and other

Shared Space

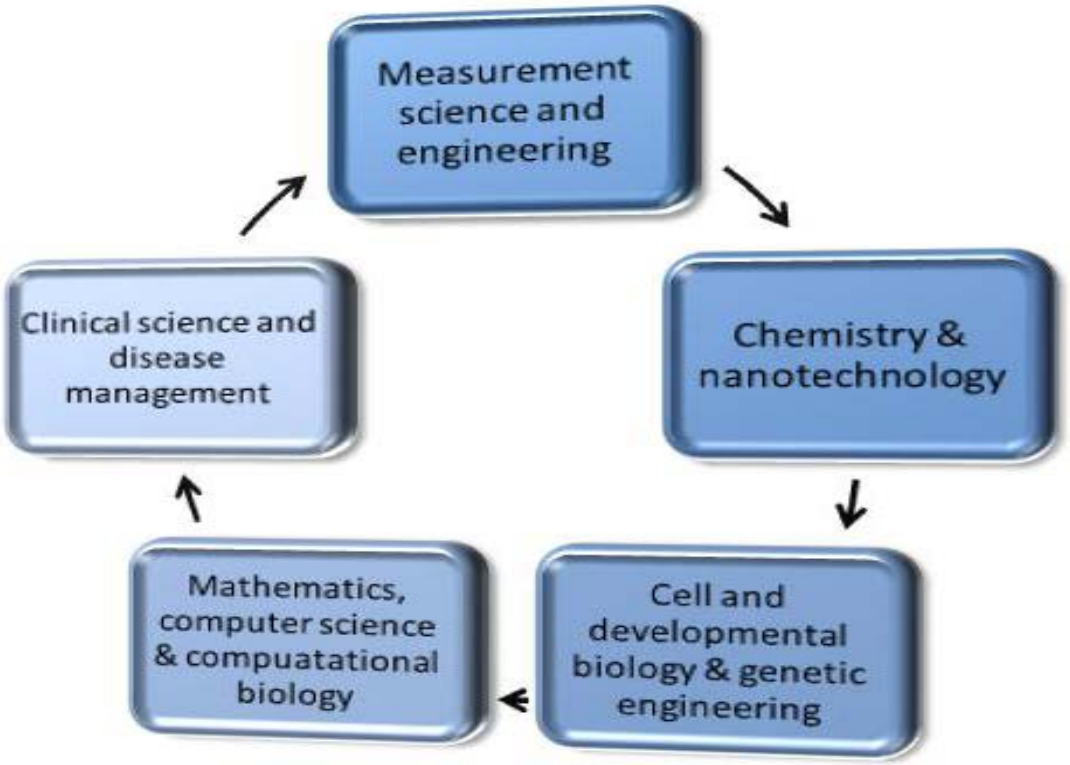
- Common Research Services
- Inter-institutional Collaborative Space

Note: The OCSSB Vision will require faculty-level collaborations with fundamental Science Departments of Physics, Chemistry, Mathematics, and Computer Sciences at PSU

OREGON HEALTH & SCIENCE UNIVERSITY

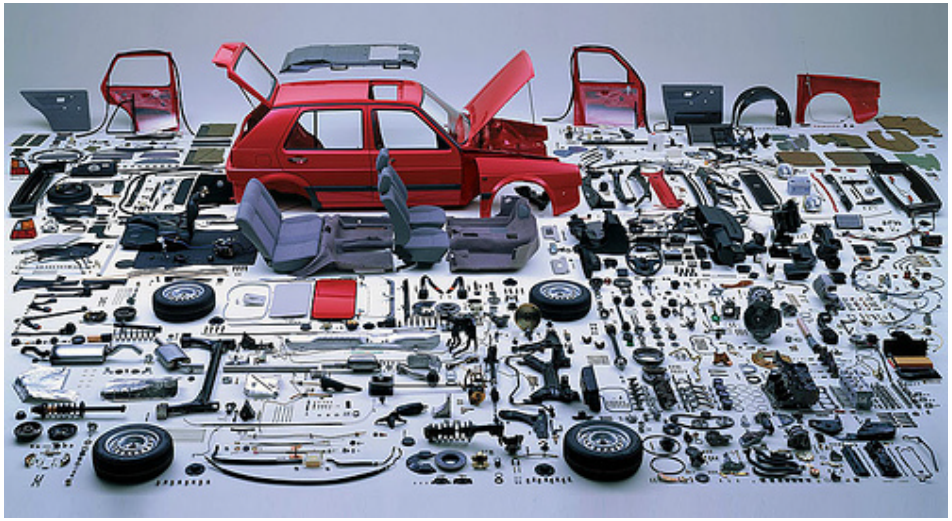
OHSU Center for Spatial Systems Biomedicine

The process



Integrating information from multiple disciplines to understand the whole

Spatial systems biomedicine – moving from the parts list to the assembly manual



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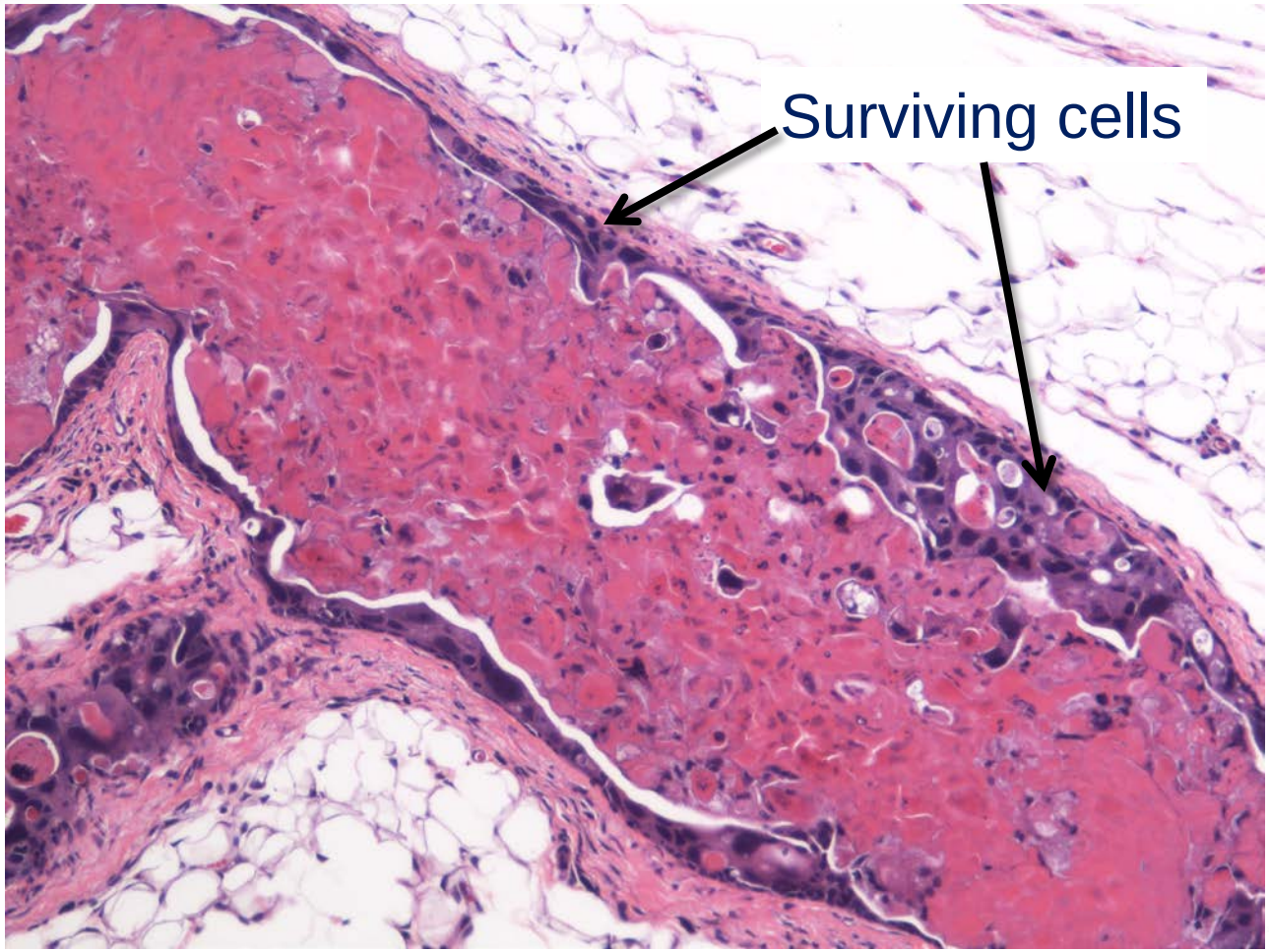
This appears to happen in human tumors - Cancer cells surviving lapatinib are attached to the basement membrane



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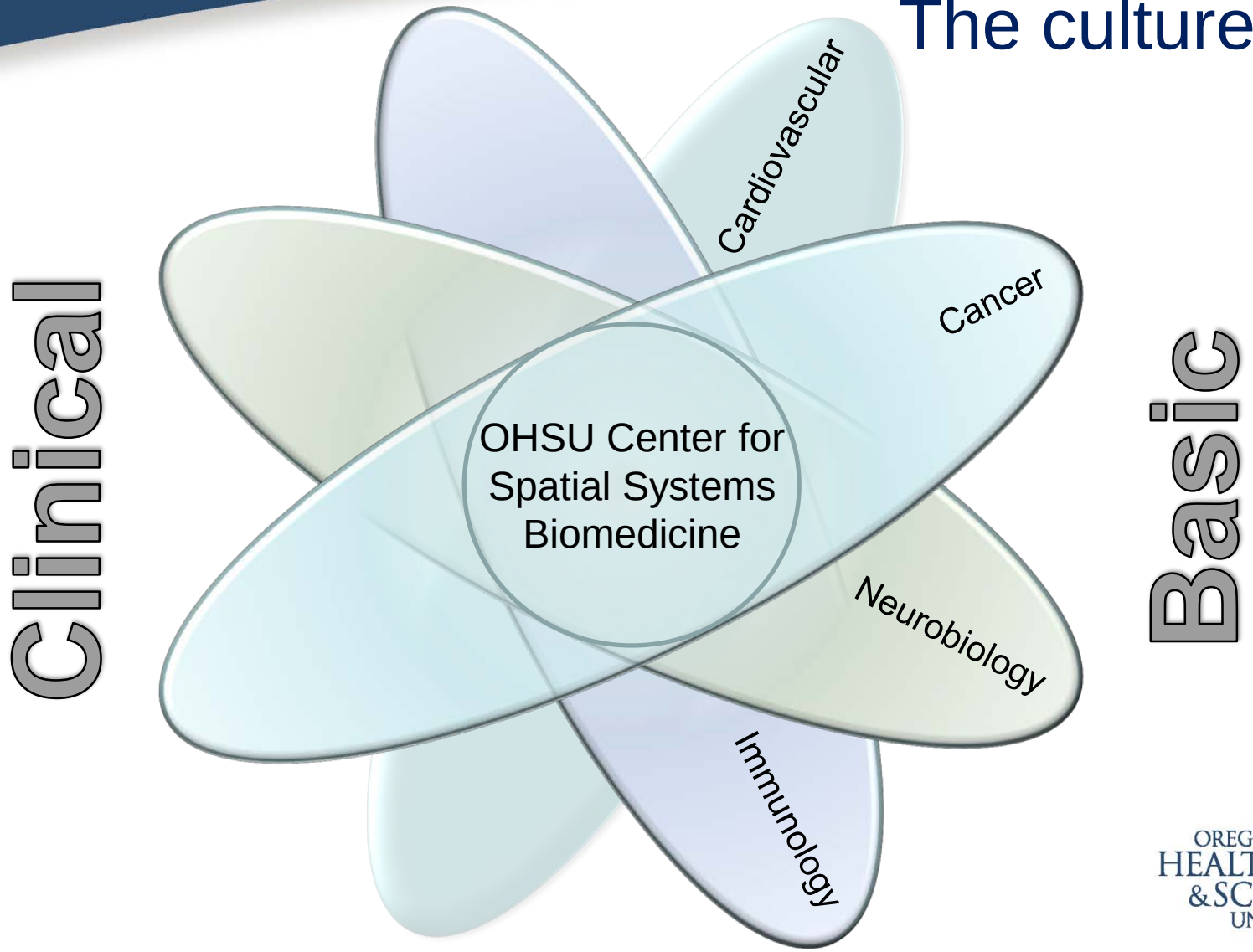
Jason Zoeller, Gordon Mills, Joan Brugge

The OHSU Center for Spatial Systems Biomedicine should support multiple scientific endeavors

The culture



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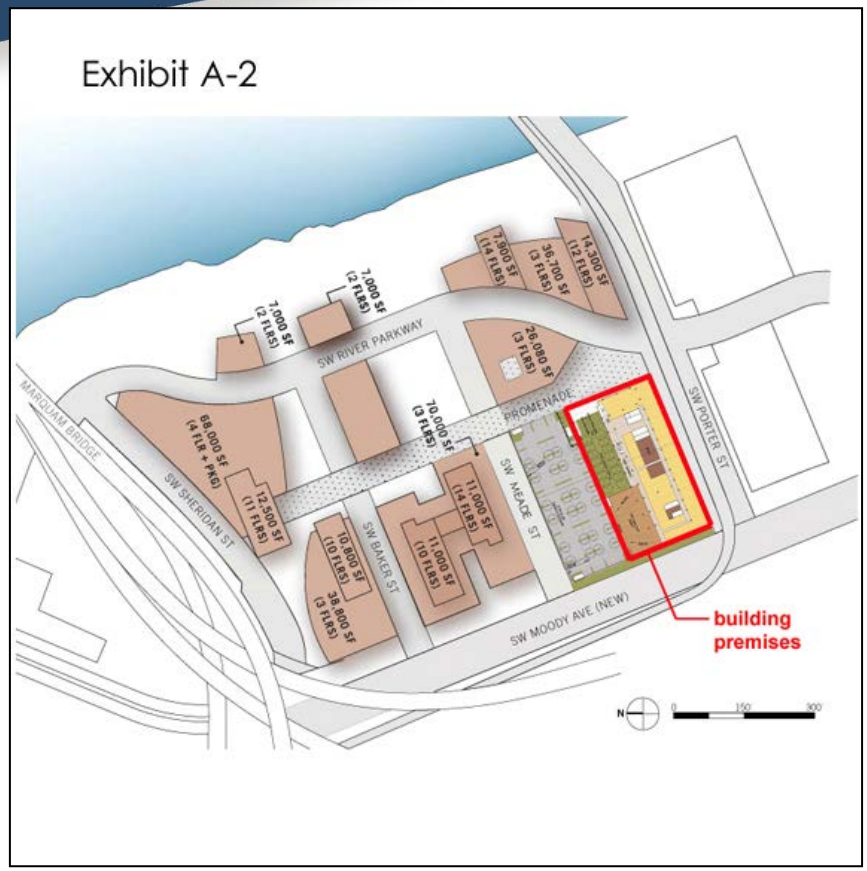
CLSB Phase II

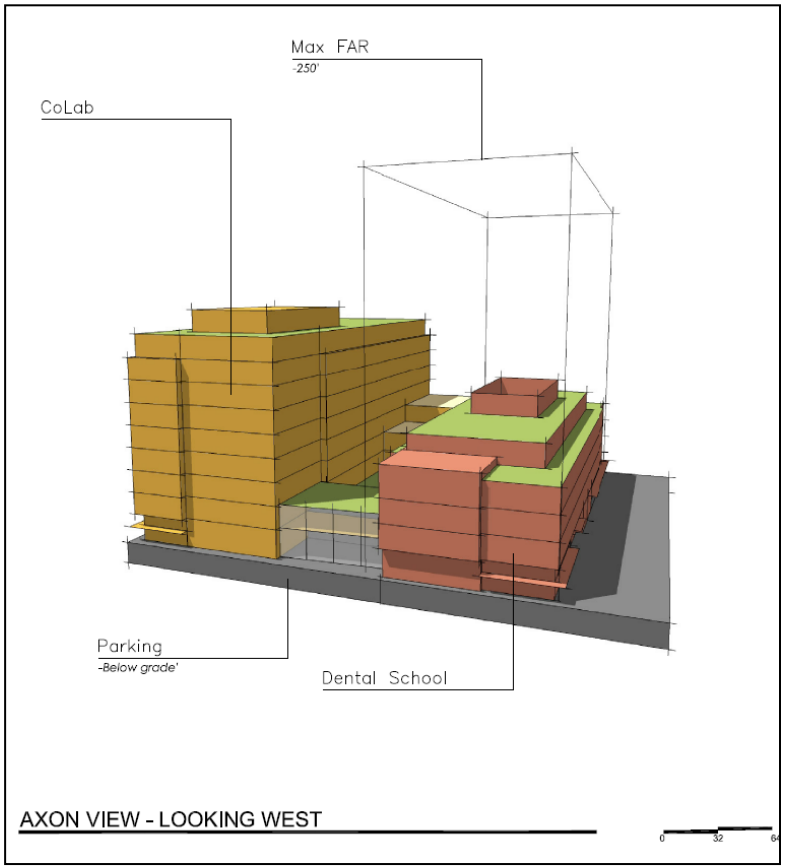
David W. Robinson, PhD.

- The term Phase II refers to a potential second tower on the north side of the CLSB site
- Relocate the School of Dentistry patient care and administration activities (~66,000 asf) to the CLSB site
- Provide additional built-out (~20,000 asf) and shelled (~30,000 asf) laboratory space to accommodate the expected growth in research over the next five to seven years.
- Phase II would be an OHSU-only project, funded through issuing debt and raising money through philanthropy

Phase I and II: Site Location and Massing



OHSU/OUS Collaborative Life Sciences Building Site



Building Massing with Phase II (only Dental School shown)

Phase I Expansion

- The analysis indicated that the CLSB provided the only viable location to meet the specialized needs of the OCCSB in a cost effective manner

- Moreover, constructing now the additional parking (200 spaces) and the infrastructure to support future development CLSB Phase II would reduce the cost of Phase II and the disruption to existing tenants when further development occurs in the future.

- OHSU Management recommends to the Board proceeding with the expanded version of the CLSB which will support the activities of the new OHSU Center for Spatial Systems Biomedicine (OCSSB) and provide for additional parking and infrastructure required for future development of the site.

Proposed Financing for the Expanded CLSB Phase I

Lawrence Furnstahl

- $70m OHSU component of original CLSB I project
  $20m Specialized Research Space for OCSSB
  $10m Parking & foundation infrastructure for Phase II
  $100m OHSU component of revised costs
    - $40m Existing gift funds (approved in 2010-09-12)
    - $30m OHSU share of OUS revenue bonds (approved in 2010-09-12)
    - $30m New OHSU debt to be issued

- Management expects to finance the additional program, parking and infrastructure space by issuing new tax-exempt debt on OHSU's credit, with net proceeds of $30 million, after costs of issuance, capitalized interest and debt service reserves funds.

Questions?

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RESOLUTION 2011-04-03
OREGON HEALTH & SCIENCE UNIVERSITY
BOARD OF DIRECTORS
(OHSU/OUS Collaborative Life Sciences Building)

WHEREAS, by Resolution Number 2010-09-12 ("2010 Resolution"), on September 9, 2010, the OHSU Board of Directors approved OHSU's entry into a Ground Lease and a Tenancy in Common Agreement (collectively, "Project Documents") and related documents with the Oregon University System of the State of Oregon ("OUS") for the ownership, development, construction and operation by them of a new life sciences building (the "Project") to be constructed on the OHSU Schnitzer Campus located in Portland's South Waterfront.

WHEREAS, by Resolution Number 2011-04-02, the Board (i) ratified the 2010 Resolution except as the Project Documents had been negotiated and modified following adoption of the 2010 Resolution (ii) approved OHSU's entry into those documents as well as a Proceeds Trust Agreement related to the funding for the Project, and (iii) approved OHSU's taking such other steps as contemplated by those documents and by the above described Resolutions.

WHEREAS, in order to accommodate current research space needs of the OHSU Center for Spatial Systems Biomedicine, OHSU requires biomedical research space in addition to program space currently contemplated for the Project.

WHEREAS, Management anticipates that in the foreseeable future, OHSU will require a substantial amount of additional research and education space, which will be constructed at such time as OHSU has sufficient capital for such construction.

WHEREAS, Management has determined that (i) an expansion of the Project by the addition of 20,000 assignable square feet of research space to the Project ("Expanded Project Space") will address the current needs of the OHSU Center for Spatial Systems Biomedicine, and (ii) a second building to be located adjacent to the Project on the Schnitzer Campus ("Second Schnitzer Building") is the optimal location for the anticipated research and education space to be constructed in the future, all as more specifically described in the Executive Summary attached hereto as Exhibit A ("Executive Summary.")

WHEREAS, Management has determined that if OHSU includes, as a part of the construction and development effort associated with the Project, the development and construction of (i) a platform for the Second Schnitzer Building and (ii) additional parking capacity required for the Second Schnitzer Building (which platform and parking are collectively described as the "Second Building Platform"), then OHSU can achieve certain economies of scale and avoid significant disruption of activities and the costs associated therewith at the time of construction of a Second Schnitzer Building, all as further described in the Executive Summary.

WHEREAS, the inclusion of (i) the Expanded Project Space as a part of the Project and (ii) the development and construction of both the Expanded Project Space and the Second Building

Platform in the development and construction effort for the Project will require that OHSU reach a satisfactory agreement with OUS concerning OHSU's ownership of, and OHSU's rights with regard to development, construction, operation and occupancy of, the Expanded Project Space and the Second Building Platform.

WHEREAS, development and construction of the Expanded Project Space and the Second Building Platform involves a total cost of approximately $30 million, which cost will be funded as described in the Executive Summary.

WHEREAS, in the 2010 Resolution, in addition to OHSU's $40 million cash contribution and its agreement to pay a portion of certain bonds to be issued by the State, the Board authorized OHSU's expenditure of $9 million for certain additional uses in connection with the Project.

WHEREAS, the Board believes that (i) the inclusion of the Expanded Project Space in the Project as described in the Executive Summary, (ii) the construction of the Second Building Platform as described in the Executive Summary, and (iii) OHSU's investment of $30 million to fund these items (in lieu of the $9 million authorized in the 2010 Resolution), are in the best interests of the University.

WHEREAS, the Board expects that OHSU will incur expenditures (the "Prior Expenditures") on the Project prior to the receipt of proceeds of indebtedness incurred by OHSU under its Master Trust Indenture in a form determined by the President of OHSU or his designee (collectively, the "Authorized Officer") and in a principal amount such that the proceeds net of costs of issuance, capitalized interest and debt service reserve funds do not exceed $30,000,000 (the "Debt"), and wishes to memorialize a declaration of official intent to use proceeds of the Debt to reimburse the Prior Expenditures in conformity with the requirements of United States Treasury Regulations Section 1.150-2.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors as follows:

1. Subject to paragraph 4 below, (i) the inclusion of the Expanded Project Space in the Project and (ii) the development and construction of the Second Building Platform, each as described in the Executive Summary are hereby approved.

2. Subject to paragraph 3 and 4 below, OHSU's investment of up to $30 million for the Expanded Project Space and the Second Building Platform, which $30 million will be funded by Debt as described in the Executive Summary, is hereby approved.

3. The $30 million investment authorized pursuant to paragraph 2 above is in lieu of the $9 million authorized pursuant to the 2010 Resolution.

4. Paragraphs 1 and 2 of this Resolution are conditioned upon OHSU's reaching an agreement with OUS that is satisfactory to Management concerning OHSU's ownership of, and OHSU's rights with regard to development, construction,

operation and occupancy of, the Expanded Project Space and the Second Building Platform.

5. OHSU expects to use proceeds of the Debt to reimburse the Prior Expenditures.

6. The Authorized Officer is authorized on behalf of OHSU to take such actions as the Authorized Officer deems necessary or appropriate in his or her sole discretion to carry out the purposes and intent of this Resolution.

This Resolution is adopted this 19th day of April, 2011.

Yeas _____

Nays _____

Signed by the Secretary of the Board on April 19, 2011.

_____

Amy M. Wayson
Board Secretary

EXHIBIT A
Executive Summary
Resolution 2011-04-03
(OHSU/OUS Collaborative Life Sciences Building)

Presented on April 19, 2010 by: David W. Robinson, Ph.D., Interim Provost &
Lawrence Furnstahl, Chief Financial Officer

Introduction

At the September Board meeting a Resolution (2010-09-12) was passed allowing OHSU Management to move forward with the OHSU/OUS Collaborative Life Science Building (CLSB). At that time plans for this building, co-owned by OHSU and the Oregon University System (OUS), contemplated approximately 400,000 gross square foot building located on OHSU property on the south west corner of the OHSU Schnitzer Campus in the South Waterfront. Accompanying the Resolution was an Executive Summary that outlined three documents that would define the relationship between the two institutions and govern the ownership arrangement and how the building would be built and subsequently operated. In September two of these documents, the Ground Lease and the Tenancy in Common Agreement, were presented to the Board in draft format. Since that time, the parties finalized these two documents as well as a Proceeds Trust Agreement related to the flow of funds for the CLSB. In order to allow the planned early May 2001 issuance by the State of $110 million in bonds to fund development and construction of the CLSB, it was essential to have these documents signed by OHSU and OUS on or before April 15, 2011. Consequently, on April 6, 2011 the OHSU Board approved OHSU's entry into the CLSB documents.

Substantially consistent with the program presented to the Board in September, current plans are for the CLSB to have approximately 122,355 assignable square feet (asf) of educational space, 29,847 asf of research space and 19,812 asf of retail/building support space in addition to 270 parking spaces. From an OHSU perspective, this will permit the School of Medicine to expand its class size from 120 to 160, the School of Dentistry class size from 75 to 90 and the Physician Assistant program from approximately 40 to around 50 students. The 1st and 2nd year didactic programs of both the MD and DMD class will be located in the new Building and the co-location will permit the type of academic collaboration necessary to implement a strong inter-professional learning experience for these students. The first year of didactic education for the Physician Assistant program will also occur in the Building and these students will participate in a number of the courses alongside MD and DMD students. A state of the art inter-professional simulation center will also be included in the Building which will be used extensively by MD, DMD and PA students along with students from the School of Nursing and residents and fellows in Graduate Medical Education programs at OHSU.

As described at the September Board Meeting, the CLSB is being made possible by an anonymous donation of $40 million to OHSU, $10 million from Tri-Met and the issuance of $110 million in bonds by the State of Oregon. The bonds being issued by the State are comprised of $50 million in Article-XI G bonds, to be serviced by the State of Oregon, and $60 million in Article-XI F-bonds for which OHSU and OUS will be responsible for payment. Board Resolution 2010-09-12 approved the OHSU portion of project budget which totaled $70 million in addition to the value of the land.

Subsequent to the September Board meeting, the School of Medicine, in partnership with the OHSU Knight Cancer Institute, recruited the pioneering scientist Joe Gray, Ph.D., from the Lawrence Berkeley National Laboratory to launch the OHSU Center for Spatial Systems Biomedicine (OCSSB) and Chair the Department of Biomedical Engineering. The Center will bring together a number of scientific disciplines to advance our understanding of the spatial and temporal interplay of molecules in a biological context. These disciplines include researchers at OHSU in the fields of cancer, neuroscience, infectious disease, and cardiology. They also include the fields of physics, nanotechnology, and quantitative analysis from investigators at Portland State University. The inter-disciplinary and inter-institutional nature of the OCCSB, along with its need for highly specialized research space, made locating it in the CLSB a very attractive proposition.

Management therefore conducted a detailed analysis to determine the feasibility and cost of integrating this additional program into Phase I of CLSB and the impact, if any, to the planned future development (CLSB Phase II) of the remaining portion of the block on which the CLSB is sited. Phase II of the CLSB is still in the planning stages, but could include space to relocate the clinical facilities of the School of Dentistry and add built-out and shelled laboratory space to accommodate expected growth in research over the next five to seven years. The analysis indicated that the CLSB provided the only viable location to meet the specialized needs of the OCCSB in a cost effective manner. Moreover, it was determined that constructing now the additional parking (200 spaces) and the infrastructure to support future development CLSB Phase II would significantly reduce the cost of Phase II and the disruption to existing tenants when further development occurs in the future.

Proposed Financing for the expanded CLSB Phase I project (planned to open spring 2014)

$70m	OHSU component of original CLSB I project
$20m	Specialized Research Space for OCSSB
$10m	Parking & foundation infrastructure for Phase II
$100m	**OHSU component of revised costs**
$40m	Existing gift funds (approved in 2010-09-12)
$30m	OHSU share of OUS revenue bonds (approved in 2010-09-12)
$30m	New OHSU debt to be issued

In order to secure the lowest cost of capital, and maintain OHSU's liquidity position, Management expects to finance the additional program, parking and infrastructure space by issuing new tax-exempt debt on OHSU's credit, with net proceeds of $30 million, after costs of issuance, capitalized interest and debt service reserves funds. Management is currently studying the most cost-effective way of structuring this financing, and will return to the Board for approval of the specific financing proposal at a subsequent meeting.

Recommendation

To support the activities of the new OHSU Center for Spatial Systems Biomedicine (OCSSB) and provide for additional parking and infrastructure required for future development of the site, OHSU Management recommends to the Board proceeding with the expanded version of the CLSB as described above. This will increase OHSU's cost for Phase I of the CLSB from $70 million to $100 million, with the additional amount funded by issuing debt with net proceeds of $30 million.

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Legislative Budget Update

Governor's Recommended Budget

	2009-2011 LAB	Current Funding (Post Allotment)	2011-13 Governor's Recommendation	% Change over LAB	% Change over Current Funding
Education & General	$67,429,476	$62,273,577	$57,000,000	15.47%	8.47%
School of Medicine	$28,020,000	$25,877,490	$23,686,080		
School of Nursing	$23,224,817	$21,448,965	$19,632,580		
School of Dentistry	$11,365,020	$10,496,010	$9,607,166		
AHEC	$4,085,568	$3,773,171	$3,453,644		
Rural Health	$734,071	$677,941	$620,530		
CDRC	$9,336,855	$8,622,926	$4,000,000	57.16%	53.61%
Poison Center	$2,615,275	$2,415,301	$2,400,000	8.23%	0.63%
Total	$79,381,606	$73,311,804	$63,400,000	20.13%	13.52%

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Impacts of GRB on OHSU Schools

- School of Dentistry will increase tuition by 12.5%
- School of Medicine will increase tuition by 4%
- School of Medicine will reduce the size of its graduate program by 15%
- School of Medicine will change the ratio of resident to non-resident students from 70% to 65%
- The School of Medicine will convert medical student rural rotations from mandatory to elective
- The School of Nursing will decrease the number of students on EACH of the following campuses by 8: Portland, Klamath Falls, LaGrande, and Ashland. The State Board of Nursing requires a student to faculty ratio of 8:1 for oversight of clinically located education. This proposal would reduce by 1 the number of clinical preceptors associated with each campus
- The School of Nursing will also begin to offer 5 courses through a new model of statewide delivery, improving efficiency, but also, acknowledging that faculty are difficult to recruit in rural areas and we project this trend will continue

Impacts of GRB on CDRC

A number of unique interdisciplinary programs and services that will be eliminated as a result of the proposed Governor' Recommended Budget

- Medical and dietary consultation for statewide newborn metabolic screening program
- Diagnosis and treatment of life-threatening and disabling metabolic disorders
- Genetic diagnosis and counseling for children with birth defects, and their families
- Largest statewide interdisciplinary program for medically fragile infants with feeding and swallowing disorders and malnutrition
- All interdisciplinary programs for children and youth with Spina Bifida and other forms of congenital spinal cord paralysis
- Oregon's only comprehensive multispecialty program for children with cleft palate/craniofacial disorders

Impacts of GRB on AHEC & Rural Health

- The Office of Rural Health will eliminate the Program Coordinator for the federally funded state loan repayment program. This will result in the discontinuation of efforts to recruit new loan repayment recipients into the federally funded state loan repayment program. We will also not apply for federal funding for this program in subsequent years

- The Area Health Education Center (AHEC) will eliminate the manager responsible for the Community Health Clerkship and Oregon Rural Scholars Program

- AHEC will reduce funding to each regional center resulting in the elimination of 2 of the 4 Education Coordinators

- AHEC will reduce funding to the rural family medicine residency program resulting in the elimination of the rural family medicine resident rotations

Health Care Reform / Medicaid Reductions

- **Medicaid Reductions** - Currently targeted for a 19% reduction in the GRB - without any relief this is about $14 million annually

  The legislature is just beginning to consider the Governor's plan for transforming Oregon's Medicaid system.

- The goal is to reform the State's Medicaid system in to a system of Coordinated Care Organizations that would be accountable for the health of all its members. The state has an ambitious timeline that includes receiving waivers from the federal government in time for full implementation by July 2012.

- We are working hard to develop a position that preserves OHSU's role in Oregon's health care system, and that can help support the Governor with his efforts.

- Future steps could include extending this new system to public employees and other commercial populations.

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Policy Bill Updates

- SB 397 (Clarification of Tort Claims Act)
  - Passed out of Senate Judiciary on 3/31 with unanimous do-pass recommendation
  - Passed the Senate Floor 30-0

- SB 392 (Researcher Safety Bill Extension)
  - Passed in the Senate on 3/17 with 29 ayes (with 1 excused)
  - Awaiting hearings in the House
  - Referred to House General Government Committee, instead of House Judiciary

- HB 2199 (Oregon Opportunity Task Force Sunset)
  - Passed out of the House unanimously 60-0 in February
  - Referred to Senate General Government Committee – likely to have hearing after April 21st deadline

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