OHSU: Partnership & Performance

HFMA Capital Conference
Chicago – March 2015
“Oregon: California’s Canada” (local t-shirt)
OHSU is only health sciences university and major academic health center in Oregon
- Founded in 1887 as the medical school of the University of Oregon
- A component unit of State of Oregon, a highly-rated state (S&P AA+)
- Restructured as Oregon public corporation in 1995, with Board of Directors appointed by Governor and confirmed by State Senate

- 2,500 faculty educate 4,100 students and trainees in over 120 accredited programs – one-third of Oregon physicians and over half of dentists have trained at OHSU

- 64% of all NIH-funded science in Oregon at OHSU

- 14% of all Oregon hospital revenues generated at OHSU

- Most respected institution in Oregon by public opinion survey: 81% favorable ratings
At Its Core, OHSU is a University

- Great universities are capital and competitive entities
  - Capital: build assets that provide value over time
  - Competitive: for the best faculty (and students, donors…)

- What great universities do:
  - Build faculty
  - Build capacities ➔ True capital of OHSU
  - Build reputation

- A university is its faculty – great faculty come to a university for the quality of colleagues, capacities that allow them to do their best work, and to be known
Longevity and Growth

- Universities are among the longest-lived entities on Earth
  - Bologna 1088
  - Oxford 1096
  - Paris 1160
  - Cambridge 1209
  - Harvard 1636
  - OHSU 1887

- But if they are not building—great faculty, capacities, reputation—they are declining
OHSU will partner to make Oregon a national leader in health and science innovation for the purpose of improving the health and well-being of all Oregonians.
Sequencing the genome provides the “parts list” – we also need the “assembly manual” for how molecular aberrations in cells function as a system.

Grant funding includes NIH/NCI, DoD and Keck Foundation.
Phil Knight Makes $1B Cancer Challenge

- If OHSU raises $500 million for cancer in two years, Phil and Penny Knight will match it, for $1 billion in total

- Why OHSU?
  - Research that impacts people’s lives
  - Track record with first $100 million gift
  - Pre-eminence for Oregon
  - Vision for the future

“People are dying because their cancer has spread before they see symptoms. People are undergoing harsh treatments that are not appropriate for their form of cancer. Our highest challenge is to do for early detection what Gleevec did for targeted treatments.”

  – Brian Druker, M.D., Director, OHSU Knight Cancer Institute
Knight Cancer Challenge 92% to Target

- $458 million toward $500 million Challenge target met to date, with 11 months to go (Phil Knight will match for $1 billion total)
- Includes $200 million State of Oregon grant for cancer research facility, approved 28 – 2 in Oregon Senate and 55 – 3 in House
  - Builds on $320 million State participation in Oregon Opportunity and CLSB
- $100 million from Gert Boyle, chairman of Columbia Sportswear
- $158 million from over 8,500 donors in all 50 states, including 4,100 first-time donors
- National media campaign developed pro bono by Wieden+Kennedy (onedown.org)
- Additional $187 million raised for non-cancer programs since July 2013 from 20,600 donors in all 50 states, with 34 gifts of $1 million+
- “A rising tide lifts all boats”: innovation drives philanthropy and philanthropy drives excellence
University Advantage: Intellectual Capital

OHSU Net Worth Up 85% in 8 Years

Intellectual Capital
2,500 Faculty,
4,100 Students &
12,500 Staff

Physical Capital
$1.5b Net Plant

Financial Capital
$2.3b Revenue
$1.5b Investments
$(0.75)b Debt
Diversity of OHSU Revenues

FY14 OHSU Operating Revenues (total = $2,277m)

- Tuition: $63m
- State approp.: $35m
- Other: $96m
- Gifts, grants & contracts: $438m
- Patient revenue - hospital: $1,294m
- Patient revenue - faculty practice: $350m

FY14 OHSU Operating Expenses (total = $2,183m)

- Salaries & benefits: $1,343m
- Services & supplies: $633m
- Depreciation: $115m
- Provider tax: $69m
- Interest: $23m
- Gifts, grants & contracts: $438m
- Patient revenue - hospital: $1,294m
- Patient revenue - faculty practice: $350m
- Other: $96m
### 6% Revenue Growth → 8% Net Worth Growth

#### | FY11 | FY12 | FY13 | FY14 | 3 Yr CAGR |
<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient care revenue</td>
<td>$1,327</td>
<td>$1,441</td>
<td>$1,520</td>
<td>$1,645</td>
<td>7.4%</td>
</tr>
<tr>
<td>Research, education &amp; other</td>
<td>583</td>
<td>595</td>
<td>612</td>
<td>633</td>
<td>2.8%</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>1,909</strong></td>
<td><strong>2,036</strong></td>
<td><strong>2,132</strong></td>
<td><strong>2,277</strong></td>
<td><strong>6.1%</strong></td>
</tr>
<tr>
<td>Compensation, services &amp; supplies</td>
<td>1,709</td>
<td>1,807</td>
<td>1,893</td>
<td>2,045</td>
<td>6.2%</td>
</tr>
<tr>
<td>Depreciation &amp; interest</td>
<td>143</td>
<td>146</td>
<td>141</td>
<td>138</td>
<td>-1.2%</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>1,852</strong></td>
<td><strong>1,953</strong></td>
<td><strong>2,034</strong></td>
<td><strong>2,183</strong></td>
<td><strong>5.6%</strong></td>
</tr>
<tr>
<td><strong>$334m</strong> → Operating income</td>
<td>57</td>
<td>83</td>
<td>99</td>
<td>95</td>
<td>18.2%</td>
</tr>
<tr>
<td><strong>$347m</strong> → Foundation, investment &amp; other gains</td>
<td>117</td>
<td>(12)</td>
<td>121</td>
<td>121</td>
<td>1.0%</td>
</tr>
<tr>
<td><strong>Increase in consolidated net worth</strong></td>
<td>174</td>
<td>71</td>
<td>220</td>
<td>216</td>
<td>7.3%</td>
</tr>
<tr>
<td>Cash &amp; investments</td>
<td>1,295</td>
<td>1,401</td>
<td>1,450</td>
<td>1,519</td>
<td>5.5%</td>
</tr>
<tr>
<td>Net physical plant</td>
<td>1,237</td>
<td>1,283</td>
<td>1,414</td>
<td>1,517</td>
<td>7.0%</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>(736)</td>
<td>(796)</td>
<td>(769)</td>
<td>(750)</td>
<td>0.6%</td>
</tr>
<tr>
<td>Receivables &amp; other, net</td>
<td>74</td>
<td>53</td>
<td>66</td>
<td>90</td>
<td>6.6%</td>
</tr>
<tr>
<td><strong>Ending consolidated net worth</strong></td>
<td><strong>$1,870</strong></td>
<td><strong>$1,941</strong></td>
<td><strong>$2,161</strong></td>
<td><strong>$2,376</strong></td>
<td><strong>8.3%</strong></td>
</tr>
<tr>
<td><strong>Operating margin</strong></td>
<td>3.0%</td>
<td>4.1%</td>
<td>4.6%</td>
<td>4.2%</td>
<td></td>
</tr>
<tr>
<td><strong>EBITDA margin</strong></td>
<td>10.5%</td>
<td>11.2%</td>
<td>11.2%</td>
<td>10.2%</td>
<td></td>
</tr>
</tbody>
</table>
Balance Sheet Builds Above AA Medians

Five-Year Progress in Key Balance Sheet Ratios

Moody’s
A1 Stable

S&P
A+ Positive

Fitch
A+ Positive

Cash & Investments to Debt
Adjusted UNA+Debt Service Reserve to Debt
Unrestricted Net Assets to Operations


OHSU Partnership Strategy in Action

Science
- Knight Cancer Challenge: $200m State grant, $300m gifts, $500m Knight match for $1 billion cancer early detection initiative (92% to target with 11 months to go)
- Exa-scale Computing: Intel
- Advanced Imaging: electron/light microscopy in OHSU/FEI “living lab” (at CLSB)
- HIV Vaccine: Gates Foundation $8m for monkey vaccine, $25m to proceed to Phase I human trials

Education
- Collaborative Life Sciences Building: Portland State University, Oregon State University, State of Oregon, philanthropy ($40m anonymous gift, Skourtes Tower)
- Portland State: CLSB, new School of Public Health, Viking Pavilion
- Rural Campus: Klamath Falls and Coos Bay plus rural “pods”
- Global Health: Bangkok Dusit Medical Services and Mahidol University
OHSU Partnership Strategy (continued)

Health Care
- Partnerships diversify the University’s exposure to health care, not increase it
- Salem Health affiliation talks
- OHSU – Legacy Cancer Collaborative
- Unity Center for Behavioral Health (Legacy, OHSU, Adventist, Kaiser)
- Mid-Columbia Medical Center strategic partnership

Population Health
- Population Health Alliance of Oregon: building tools and methods to manage population health within global budgets together (OHSU, 6 health systems, Moda)
- Moda Health (largest commercial plan in Oregon with 308,000 members)
  - “Synergy” insurance product for State employees, teachers, OHSU & Moda employees, commercial market
$356 Million in New Grant Awards in FY14

FY14 NIH Grants to Selected Institutions (millions)
- OHSU: $211.3
- Mayo Clinic: $203.6
- Baylor: $194.2
- Northwestern University: $186.9
- USC: $183.5
- University of Chicago: $176.9

FY15 H1 awards up 32% over prior year

Trend in OHSU Grant Awards
New OHSU – PSU School of Public Health

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

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

8 Year Growth at OHSU Hospital Compared to All Other Oregon Hospitals

<table>
<thead>
<tr>
<th></th>
<th>Available Beds</th>
<th>Percent Occupancy</th>
<th>Inpatient Discharges</th>
<th>Patient Days</th>
<th>Outpatient Visits</th>
<th>Revenues (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OHSU FY06</td>
<td>445</td>
<td>79%</td>
<td>25,383</td>
<td>127,617</td>
<td>558,460</td>
<td>$764</td>
</tr>
<tr>
<td>OHSU FY14</td>
<td>528</td>
<td>84%</td>
<td>28,477</td>
<td>161,455</td>
<td>836,714</td>
<td>$1,343</td>
</tr>
<tr>
<td>8 Year Change</td>
<td>19%</td>
<td>5%</td>
<td>12%</td>
<td>27%</td>
<td>50%</td>
<td>76%</td>
</tr>
<tr>
<td>All Other Oregon FY06</td>
<td>5,631</td>
<td>66%</td>
<td>313,522</td>
<td>1,353,157</td>
<td>7,589,201</td>
<td>$5,690</td>
</tr>
<tr>
<td>All Other Oregon FY14</td>
<td>6,133</td>
<td>58%</td>
<td>309,458</td>
<td>1,293,542</td>
<td>9,079,120</td>
<td>$8,548</td>
</tr>
<tr>
<td>8 Year Change</td>
<td>9%</td>
<td>-8%</td>
<td>-1%</td>
<td>-4%</td>
<td>20%</td>
<td>50%</td>
</tr>
</tbody>
</table>
Spending vs. Life Expectancy by Country

Total Health Spending Per Capita & Life Expectancy for Industrialized Nations

- Lower cost & longer lives

<table>
<thead>
<tr>
<th>Country</th>
<th>Life Expectancy</th>
<th>Total Health Spending Per Capita 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>85.0</td>
<td>$0 - $1,000</td>
</tr>
<tr>
<td>Italy</td>
<td>83.0</td>
<td>$1,000 - $2,000</td>
</tr>
<tr>
<td>Spain</td>
<td>82.0</td>
<td>$2,000 - $3,000</td>
</tr>
<tr>
<td>Australia</td>
<td>82.0</td>
<td>$3,000 - $4,000</td>
</tr>
<tr>
<td>Canada</td>
<td>81.0</td>
<td>$4,000 - $5,000</td>
</tr>
<tr>
<td>Switzerland</td>
<td>81.0</td>
<td>$5,000 - $6,000</td>
</tr>
<tr>
<td>Sweden</td>
<td>81.0</td>
<td>$6,000 - $7,000</td>
</tr>
<tr>
<td>France</td>
<td>81.0</td>
<td>$7,000 - $8,000</td>
</tr>
<tr>
<td>Germany</td>
<td>80.0</td>
<td>$0 - $1,000</td>
</tr>
<tr>
<td>Austria</td>
<td>80.0</td>
<td>$1,000 - $2,000</td>
</tr>
<tr>
<td>Belgium</td>
<td>80.0</td>
<td>$2,000 - $3,000</td>
</tr>
<tr>
<td>Norway</td>
<td>80.0</td>
<td>$3,000 - $4,000</td>
</tr>
<tr>
<td>Netherlands</td>
<td>80.0</td>
<td>$4,000 - $5,000</td>
</tr>
<tr>
<td>UK</td>
<td>79.0</td>
<td>$5,000 - $6,000</td>
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<tr>
<td>Austria</td>
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<td>$7,000 - $8,000</td>
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<tr>
<td>USA</td>
<td>78.0</td>
<td>$0 - $1,000</td>
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Factors Contributing to Premature Death

Figure 1. Determinants of Health and Their Contribution to Premature Death.
Adapted from McGinnis et al.¹⁰

SHATTUCK LECTURE
We Can Do Better — Improving the Health of the American People
Steven A. Schroeder, M.D.
"The health outcomes of a group of individuals, including the distribution of such outcomes within the group.” (Kindig & Stoddart, 2003)

Oregon is asking its health system (providers, plans, agencies, communities) to manage the health outcomes of defined populations within global budgets rising at set, sustainable rates:
- Oregon Health Plan
- State employees
- Teachers
- Exchange
OHSU’s Roles in Health Transformation

- Classic Tertiary/Quaternary Care Done Very Well
- Confederated Partnership Accepts Global Budgets Manages Health of Populations
- Actually Improving Health & Well-Being to Bend the Curve in Long-Run

Roles:
- Quaternary
- Tertiary
- Secondary
- Primary
- Preventative

Departments:
- Patient Care
- Education
- Research
- Outreach
- Public Policy
- Finance