

**UPDATE: ECONOMIC DOWNTURN IMPACTS ON OHSU**  
**Current estimate of budget shortfall: \$30 million to \$35 million**

**Causes of OHSU's financial shortfall**

- In 2008, OHSU and OHSU Foundation investments outperformed major indices— for example the S&P 500 witnessed a 37 percent decline —but OHSU's endowment lost 26 percent of its value between January and November. That loss means that a number of endowment accounts now have a value less than that of their original contributions. In brief: Where OHSU anticipated investment *income* of about \$33M, we now face investment *losses* of about \$39M—a \$72M shift.
- Lower hospital revenues than projected: OHSU Hospital is experiencing 1 percent growth versus projected 5 percent growth - \$20 million negative impact.
- Beginning to see a higher rate of uncompensated care.
- Decline in state appropriations.

**OHSU's reaction to date**

- Job reductions in central services – approximately 110 to 120 positions (examples: human resources, facilities, public safety, computer support, communications).
- University hiring freeze and salary freeze.
- Freeze in one-time payments (bonuses).
- OHSU's executive leaders will voluntarily forgo 20 percent of their salary and will receive no incentive pay in FY 09.
- Reduction in University Pension Plan retirement contribution for faculty and unclassified employees from 12 percent to 10 percent, effective Jan. 1, 2009, for new faculty and employees and July 1, 2009, for current faculty and employees. Note: employees are allowed to enroll in the University Pension Plan or the Public Employees Retirement System.
- Donor funds helping to support critical needs in accordance with donor intent: \$20 million

**Next steps**

Continued job reductions: 500 to 1,000 positions in total this financial year (including central services reductions already being implemented).

- School of Medicine cost reductions: \$8 million – reductions will include not filling open positions, reduction of some positions to part-time and job eliminations (no exact figures available).
- OHSU Healthcare cost reductions in response to reduced hospital revenues of \$20 million. Approximate number of job reductions: 140 positions.

**Additional steps**

- Administrative consolidation of OHSU Healthcare and School of Medicine.
- Require 3 percent margin contribution from all units (or groups of units) for a capital replacement and rainy day fund for OHSU.

**Key factors for OHSU in 2009 and beyond**

- State budget impacts
- Whether a new tort cap is set during the legislative session
- Unlikely recovery of investment income in short term
- Possibility of adverse changes in Medicare/Medicaid reimbursement
- Effect of proposed state provider tax
- Continued reduction of hospital profitability due to increased levels of uncompensated care

- Unknown impacts of economy/new administration on National Institutes of Health budget/research funding