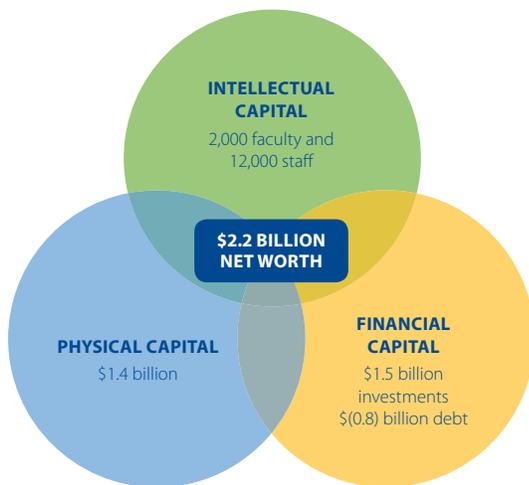


# OHSU'S BALANCE SHEET

## OHSU IS HEALTHY FINANCIALLY

**Our net worth has increased.** Net worth is the broadest measure of financial strength, and equals all of our assets minus our liabilities. OHSU's net worth has risen 69 percent to \$2.2 billion since 2007, during challenging economic years.

**OHSU's net worth includes physical and financial capital, which support intellectual capital.** OHSU's net worth is approximately \$1.4 billion in physical capital (buildings, equipment and technology) and about \$1.5 billion in investments, less \$800 million of debt. OHSU's physical and financial capital supports its intellectual capital, which is 2,000 faculty members and 12,000 supporting staff. OHSU's employee number has grown from 12,000 in 2007 to just over 14,000 today.

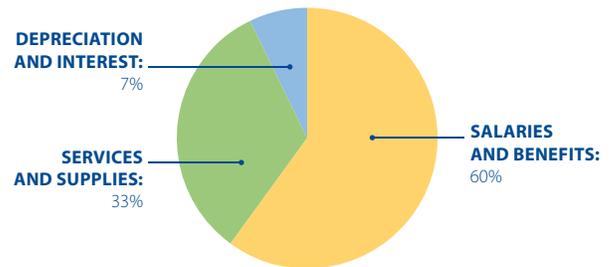


Numbers do not add due to rounding

Chief Financial Officer Lawrence Furnstahl is available to speak to your OHSU group about OHSU's balance sheet. Please contact Marie McMillen at [mcmillem@ohsu.edu](mailto:mcmillem@ohsu.edu) to schedule a presentation.

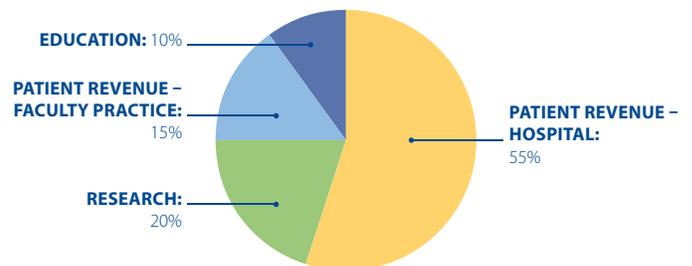
**OHSU's main investment is in its people.** OHSU's annual expenses are divided roughly 60 percent to salaries and benefits, 33 percent to services and supplies and 7 percent to depreciation and interest. OHSU's main investment every year is in its people.

### FY13 OHSU OPERATING EXPENSE: \$2 BILLION



**Looking ahead, OHSU's primary revenue sources face downward pressure:** OHSU's \$2.1 billion in revenue comes from a combination of patient care (about 70 percent), research (20 percent) and education (10 percent). All three of those areas are under pressure. Another way to look at it is half of our revenue comes from government sources and the remaining from private sources, such as private insurance, gifts and tuition. Both public and private sources are under significant pressure.

### FY13 OHSU ANNUAL REVENUE: \$2.1 BILLION



# OPERATING INCOME FUNDS CAPITAL PROJECTS

**Annual operating income is reinvested in missions.** Each year, the OHSU Board of Directors sets a target for OHSU for operating income. The target is based on the identified need for capital investments or critical future expenses. OHSU's operating income and annual depreciation together fund OHSU's capital budget. In turn, the capital budget supports ongoing improvements and investments across all missions.

**FY13 operating income grew for several reasons.** The operating income target for FY13 was about \$60 million, which was used for capital projects funded during FY13. The actual year-end operating income was about \$96 million.

This additional \$36 million was due to several factors: the case-mix adjusted admissions within the hospital were greater than budget; Central Services expenses came in about \$9 million below budget, and the hiring freeze and other belt-tightening resulted in departments and units across OHSU beating or exceeding their budgets. Additionally, some accounting adjustments led to additional operating income. Last, the OHSU strategy of improving our credit rating to A+ by increasing our

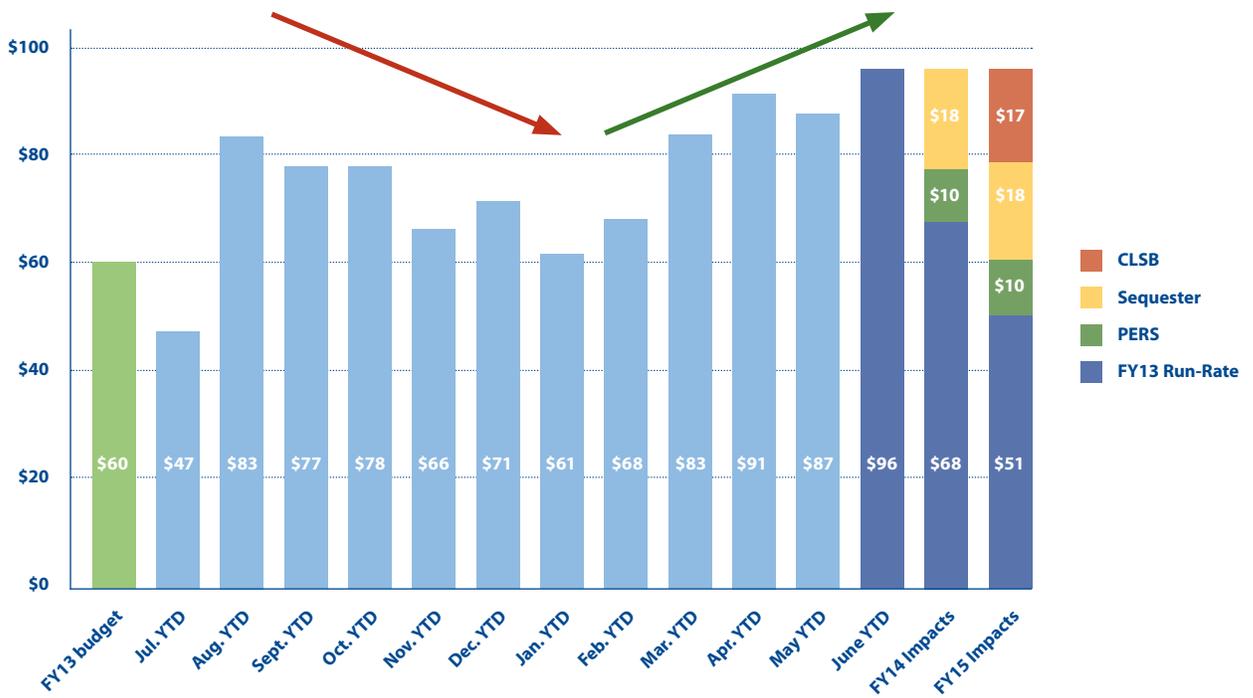
net worth is yielding benefits – this past year OHSU was able to restructure debt, saving significant money on bond financing, which also increased operating income.

**OHSU operating income is currently volatile.** Significant changes in how health care is reimbursed, and downward pressures on payment rates, means future revenues are uncertain. Other factors, including federal sequestration and related impacts on the grant funding environment, add to this uncertainty.

OHSU monitors financial performance continuously, including projections toward meeting our annual operating income target. An example of the implication of this monitoring is shown in the chart below and described here. For FY13, each month (each bar) shows a projection of end-of-year results based on an "annualization," or a projection forward, of actual financial results so far. This means in January, for example, projecting forward to the end of the fiscal year the performance in the month of January would result in annual operating income of \$61 million, but showing a downward trend.

## MID-YEAR CORRECTION CLEARS FY14 HURDLES

OHSU OPERATING INCOME: FY13 RUN-RATE BY MONTH AND FY14-FY15 IMPACTS (MILLIONS)



This chart shows why the hiring freeze and associated cost controls were implemented in February 2013. The combination of an overall downward trend of annualized (projected) annual income combined with the current and pending effects of the federal sequestration showed a need to reduce expenses immediately to reverse the downward trend and meet the annual income target. The chart in the months after February shows the positive impact of these fiscal actions, in addition to the hospital's improved performance.

**Retirement and other costs affect operating income targets in next two years.** The target for operating income will need to be strong in the coming years because of the need to fund several large expenses, including \$10 million of new Public Employee Retirement System (PERS) costs, \$18 million that OHSU loses because of federal sequestration, and the opening of the Collaborative Life Sciences Building. This is shown graphically on the chart in the last two bars labeled "FY 14 Impacts" and "FY 15 Impacts."

## HOW WILL OHSU SPEND INCOME ABOVE THE FY13 BUDGET?

**Money will go to faculty, research, diversity and cash reserves.** The excess operating income above the \$60 million target will fund several initiatives. Decisions about how to spend the operating income are being made by President Joe Robertson; Provost Jeanette Mladenovic; Peter Rapp, head of the hospital; Mark Richardson, dean of the medical school and head of the Faculty Practice Plan; and CFO Lawrence Furnstahl. These decisions are made with input and advice from faculty and other groups across OHSU. The FY13 above-budget income will fund:

- Establishing a strategy to support a transition to a new OHSU-wide faculty compensation and budgeting approach to increase stability for faculty. The plan is now being discussed, details will be forthcoming.

- Establishing a fund for investments in world class science at OHSU, including a new Center of Human Gene & Cell Therapy, and to support commercialization of OHSU's science and technology.
- Investments in diversity, primarily the recruitment of diverse faculty and students, doubling the amount from FY12 earnings.
- Additions to OHSU cash reserves to further strengthen the balance sheet against uncertainty in the health care and research environments.

## OHSU WILL SUCCEED WITH CAREFUL FISCAL MANAGEMENT

**Philanthropy plays an increasingly important role.** In FY13, private gifts and pledges to OHSU were \$197 million, including \$100 million of the \$125 million gift from Penny and Phil Knight that created the Knight Cardiovascular Institute. That makes FY13 OHSU's most successful fundraising year ever. The majority of these funds are pledged to support specific initiatives. Support for programs and research accounted for nearly 80 percent of total contributions in FY13 with other contributions primarily supporting faculty (including endowed positions), students and capital projects.

**The health care world is in a transition phase.** OHSU supports health care reform, but it is unclear what the future will bring in terms of payment for health care services. OHSU plans to diversify its funding through partnerships with health care institutions, industry and non-governmental funders. Achieving additional hospital capacity and retaining and advancing research in light of less federal funding are significant challenges. Process improvements, internal spending discipline, innovation and new investments will help OHSU grow in the future in a world in which health care spending and federal research funding are under pressure.

# GROWTH AND CHANGE AT OHSU – 1990-2012

	1990	1995	2000	2005	2010	2012
<b>ECONOMICS AND FUNDING</b>						
Annual Operating Budget	\$340 million	\$499 million	\$882 million	\$1.2 billion	\$1.9 billion	\$2.06 billion
State Appropriation*	19%	12%	6.40%	3.6%	2.01%	1.7%
<b>RESEARCH</b>						
Award Dollars	\$43 million	\$86 million	\$168 million	\$274 million	\$391.7 million	\$359 million
Award Dollars From Out of State	83%	86%	96%	94%	94%	95%
Invention Disclosures	30	36	32	101	115	117
<b>HEALTH CARE**</b>						
Patients	108,000	112,000	153,300	184,513	232,477	251,033
Patient Visits (Includes Hospitals and Medical/Dental Clinics)	247,500	344,400	575,800	751,324	827,688	876,553
<b>ACADEMICS</b>						
Enrolled Students***	1,464	1,795	1,906	2,551	2,721	2,849
Degrees Awarded	390 approx.	555	783	912	946	1,100
<b>PHILANTHROPY****</b>						
Gift Dollars	\$14.5 million	\$26.5 million	\$38.8 million	\$57 million	\$79.3 million	\$99.3 million
Gifts	21,618	21,040	31,230	32,995	22,837	20,745
<b>FACILITIES AND EMPLOYEES</b>						
Employees	6,500	6,600	10,000	11,259	13,542	13,984
Capital Expenditures	\$30 million	\$60 million	\$79 million	\$193 million	\$74.5 million	\$156.6 million
Square Feet of Building Space	3.1 million	3.8 million	5 million	5 million	7.1 million	7.1 million

\* As a percentage of total budget from State General Fund.

\*\* Includes hospitals and medical/dental clinics.

\*\*\* Figures do not include third- and fourth-year students in the doctor of pharmacy program offered jointly with Oregon State University; advanced paramedic and clinical laboratory science students from programs offered jointly through Oregon Institute of Technology after 2000; residents, postdoctoral students and clinical trainees. *Note:* Data is based on the Institutional Enrollment Report submitted to the Integrated Postsecondary Education Data System of the National Center for Education Statistics.

\*\*\*\* Totals reflect philanthropic gifts and pledges made within the fiscal year through the OHSU Foundation, Doernbecher Foundation and directly to OHSU. All results reported according to Council for Advancement and Support of Education guidelines. Historical results reported in previous *At A Glance* publications have been restated to reflect current CASE standards.

*All data is fiscal year 2012 unless otherwise noted.*