



OHSU Board of Directors Meeting

**January 26, 2017
1:30 pm – 3:00 pm**

**Collaborative Life Sciences Building, Rm. 3A002
2730 SW Moody, Portland, OR 97201**



OREGON HEALTH & SCIENCE UNIVERSITY BOARD OF DIRECTORS MEETING

**January 26, 2017
1:30 pm– 3:00 pm
CLSB 3A002**

1:30 pm	Call to Order/ Chairman's Comments President's Comments	David Yaden Joe Robertson, MD
1:45 pm	FY17 December YTD Financial Results	Lawrence Furnstahl
2:05 pm	Changing the Way We See Alzheimer's	Jeffrey Kaye, MD
2:25 pm	2017 Legislative Agenda	Abby Tibbs, JD
2:45 pm	Other Business, Adjournment	David Yaden



FY17 First Half Financial Results

OHSU Board of Directors
January 26, 2017

FY17 December YTD Financial Results

- Through the first half of FY17, core OHSU operating income is \$52 million, \$6 million above budget and somewhat below last year.
- Although aggregate performance pulled ahead of budget by December, this is because continuing shortfalls at OHSU Hospital and Tuality Healthcare are offset by better performance at Salem Health and in the University's central administrative & support services and restricted research funds:

FY17 H1 Variance from Budget	(millions)
OHSU Healthcare, net	\$(10.9)
University unrestricted operations	6.9
Restricted funds (mostly grants)	8.5
Oregon Heart investment (gift funds)	1.5
Core earnings above budget	<u>\$6.0</u>

- Patient activity at OHSU Hospital is 2% above target and 7% above last year, but average payment rates are flat.

FY17 December Results – Cost Containment

- Vigorous corrective actions are underway in OHSU Healthcare, focusing on:
 - Non-essential open positions and contract labor
 - Suspending discretionary spending
 - Volume shortfalls in specific programs (despite overall activity above budget)
 - Length of stay management
 - Revenue cycle & insurance denial management
 - Supply chain & pharmacy costs
 - Overhead infrastructure.
- To end FY17 on target, continued productivity and prudent belt tightening across the University are also needed.

FY17 December Results – Building on Strength

- OHSU is following a fiscally responsible path as we (along with many other health care and higher education institutions) face potential funding impacts due to a state budget shortfall for 2017 – 2019 and uncertainty at the federal level.
- This means taking an analytical, strategic and judicious approach to spending, prioritizing initiatives and hiring that are essential to patient care, safety, revenue growth and recruitments that are part of strategic plans.
- Department leaders have been empowered to make cost containment decisions, consulting with senior leadership as appropriate.
- Balance sheet:
 - As expected, cash balances declined \$20 million in the first half, reflecting seasonal timing of principal payments.
 - Operating cash continues to trend well above the same day last year.
 - Consolidated net worth is up \$116 million to pass the \$3 billion mark, including application of another \$17 million from the State's \$200 million grant to the Knight Cancer Challenge research facilities, new gifts to OHSU Foundation plus strong investment returns.

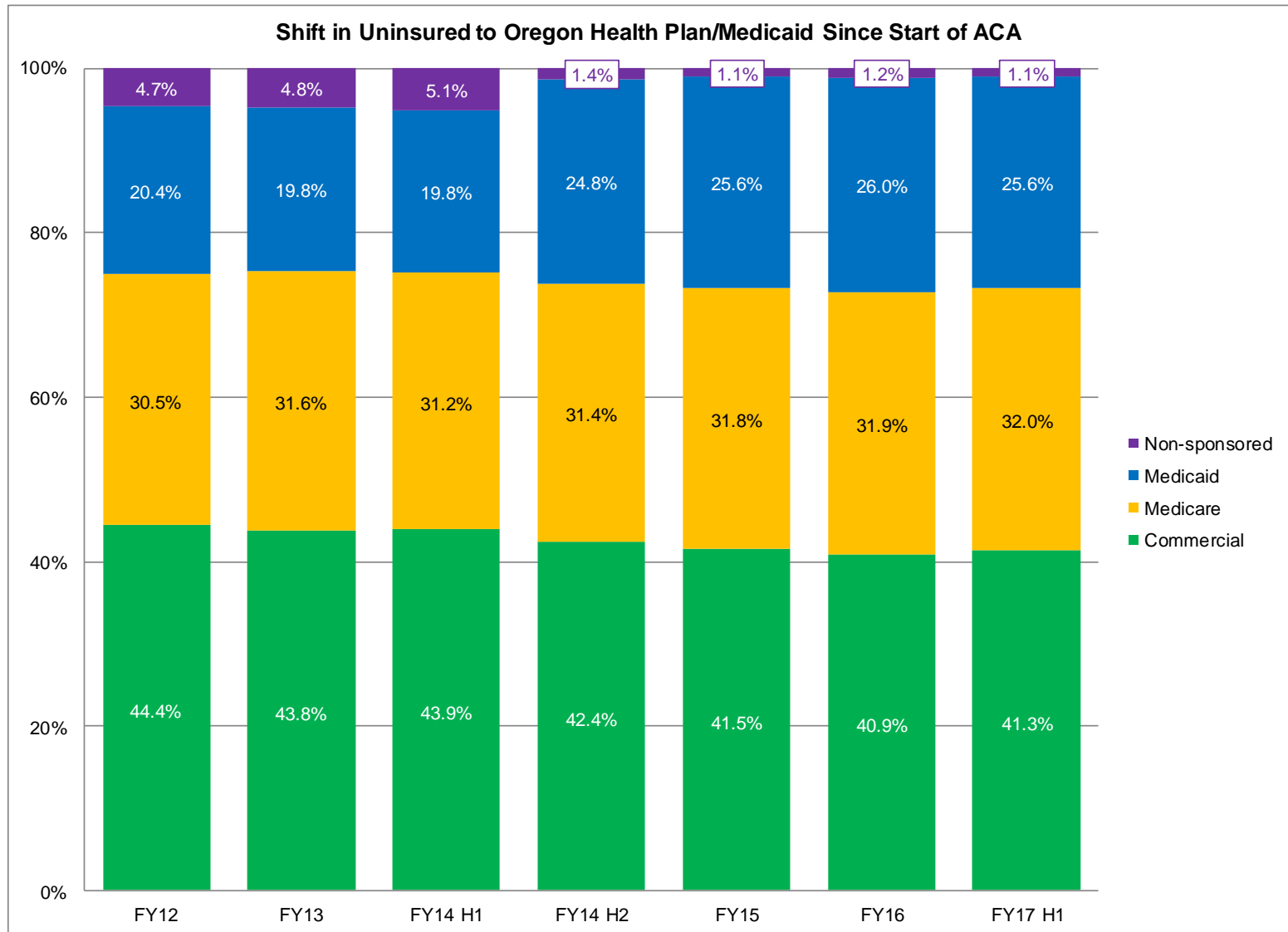
Core Earnings \$6M > Budget through FY17 H1

December YTD (6 Months) (millions)	FY16 Actual	FY17 Budget	FY17 Actual	Actual - Budget	Actual / Last Year
Net patient revenue	\$963	\$1,028	\$1,024	\$(4)	6%
Grants & contracts	183	197	203	5	11%
Gifts applied to operations	48	49	50	1	5%
Tuition & fees	34	35	34	(1)	2%
State appropriations	18	18	18	(0)	0%
Other revenue	54	59	62	3	13%
Operating revenues	1,299	1,386	1,390	5	7%
Salaries & benefits	751	814	813	(1)	8%
Services & supplies	364	395	395	(0)	9%
Medicaid provider tax	44	43	43	(0)	-3%
Depreciation	67	70	72	2	8%
Interest	16	18	15	(2)	-5%
Operating expenses	1,243	1,340	1,339	(1)	8%
Core operating income	56	46	52	6	-9%
State grant to KCC	0	0	17	17	
Oper. income (pre-GASB 68)	\$56	\$46	\$69	\$23	22%

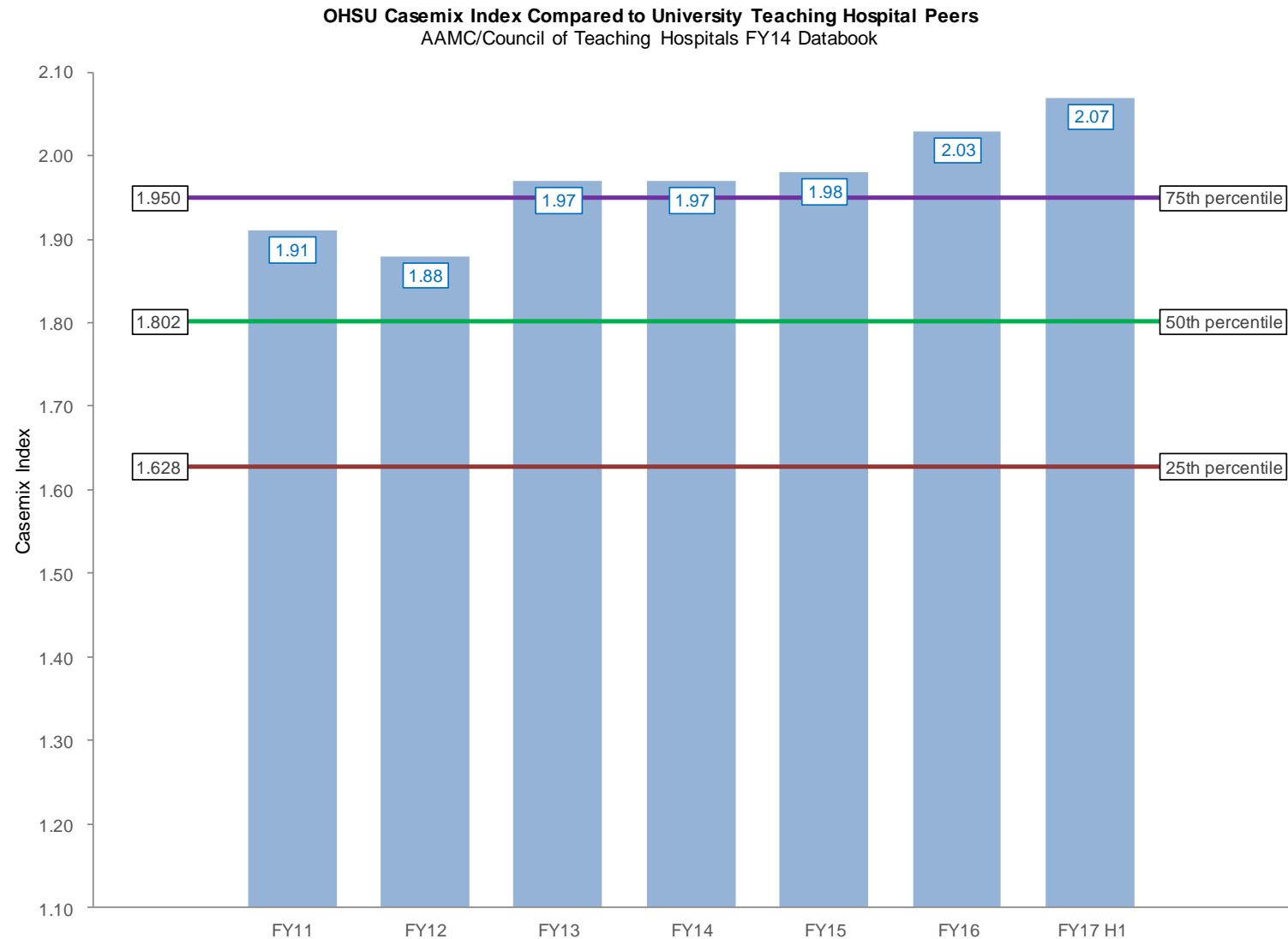
OHSU Patient Activity Up but Average Rate Flat

OHSU Hospital Activity Dec YTD (6 months)	FY16 Actual	FY17 Budget	FY17 Actual	Actual / Budget	Actual / Last Year
Inpatient admissions	14,613	14,702	14,945	2%	2%
Average length of stay	5.91	5.78	5.94	3%	1%
Average daily census	459	454	471	4%	3%
Day/observation patients	18,845	19,488	18,664	-4%	-1%
Emergency visits	24,021	23,487	23,548	0%	-2%
Ambulatory visits	418,545	447,958	435,844	-3%	4%
Surgical cases	16,523	17,168	16,860	-2%	2%
Casemix index	2.03	2.06	2.07	0%	2%
Outpatient share of activity	47.7%	48.8%	48.9%	0%	3%
CMI/OP adjusted admissions	56,770	59,192	60,495	2%	7%
<i>Net patient revenue (millions)</i>	<i>\$963</i>	<i>\$1,028</i>	<i>\$1,024</i>	<i>0%</i>	<i>6%</i>
<i>Revenue per adj. admission</i>	<i>\$16,962</i>	<i>\$17,369</i>	<i>\$16,926</i>	<i>-3%</i>	<i>0%</i>

ACA Expands Oregon Health Plan Coverage



OHSU CMI Above COTH Top Quartile Nationally



Cash Flow Reflects July Debt Service Payments

Balance Sheet (millions)	6/30/16	12/31/16	Change
Operating cash & investments	\$794	\$772	\$(22)
Quasi-endowment funds	79	81	2
Moda surplus note, net	34	34	0
OHSU cash & investments	906	886	(20)
Trustee-held bond funds	21	29	8
KCC capital project fund	85	68	(17)
CHH-S/other capital funds	80	53	(27)
Total cash & investments	1,091	1,036	(55)
Net physical plant	1,606	1,637	31
Interest in Foundations	1,346	1,385	39
Long-term debt	(907)	(884)	23
GASB 68 pension items, net	(244)	(244)	0
Working capital & other, net	26	103	77
OHSU net worth	2,918	3,034	116

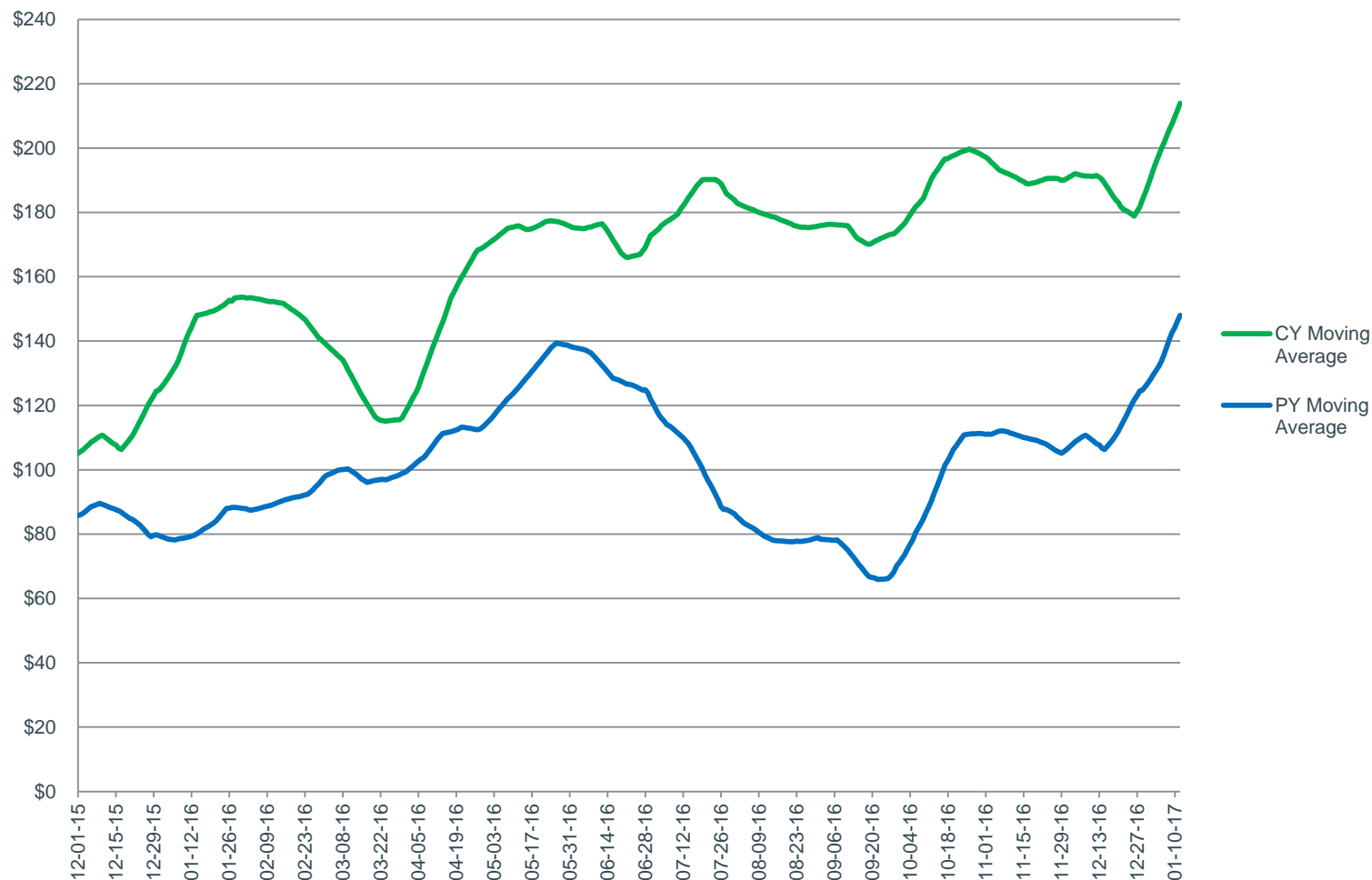
Oper. income (pre-GASB 68)	69
OHSU investment return	7
Gain (loss) from Foundations	39
Other non-operating items	0

Total change in net worth	\$116
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Cash Flow (millions)	Dec YTD
Oper. income pre-GASB 68	\$69
Depreciation	72
OHSU investment return	7
CHH-S project funds applied	27
Sources of OHSU cash	175
Regular principal repaid	(23)
Capital spending	(103)
Change in capital A/P	(21)
Change in accrued payroll	(31)
Other working capital, net	(17)
Uses of OHSU cash	(195)
Sources less uses of cash	(20)
6/30/16 balance	906
12/31/16 balance	\$886

Daily Cash Balances Continue to Build Year to Year

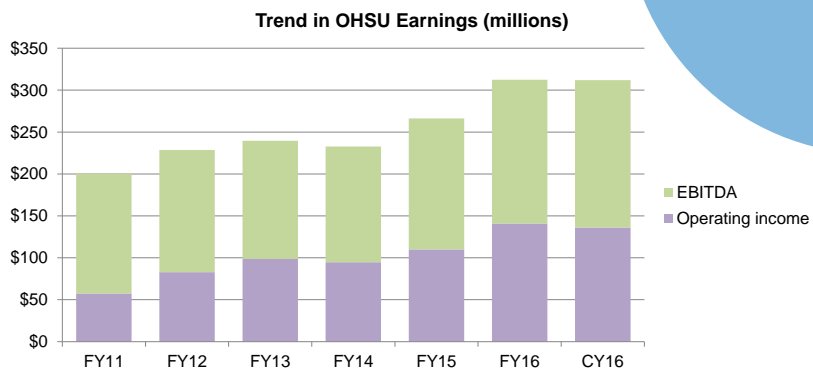
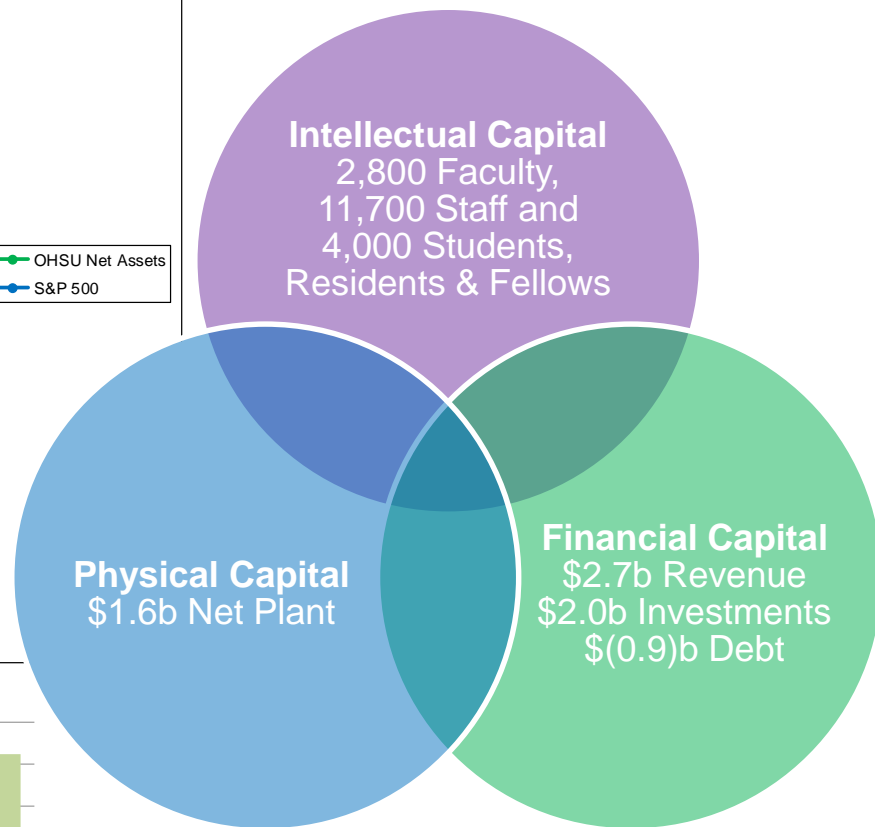
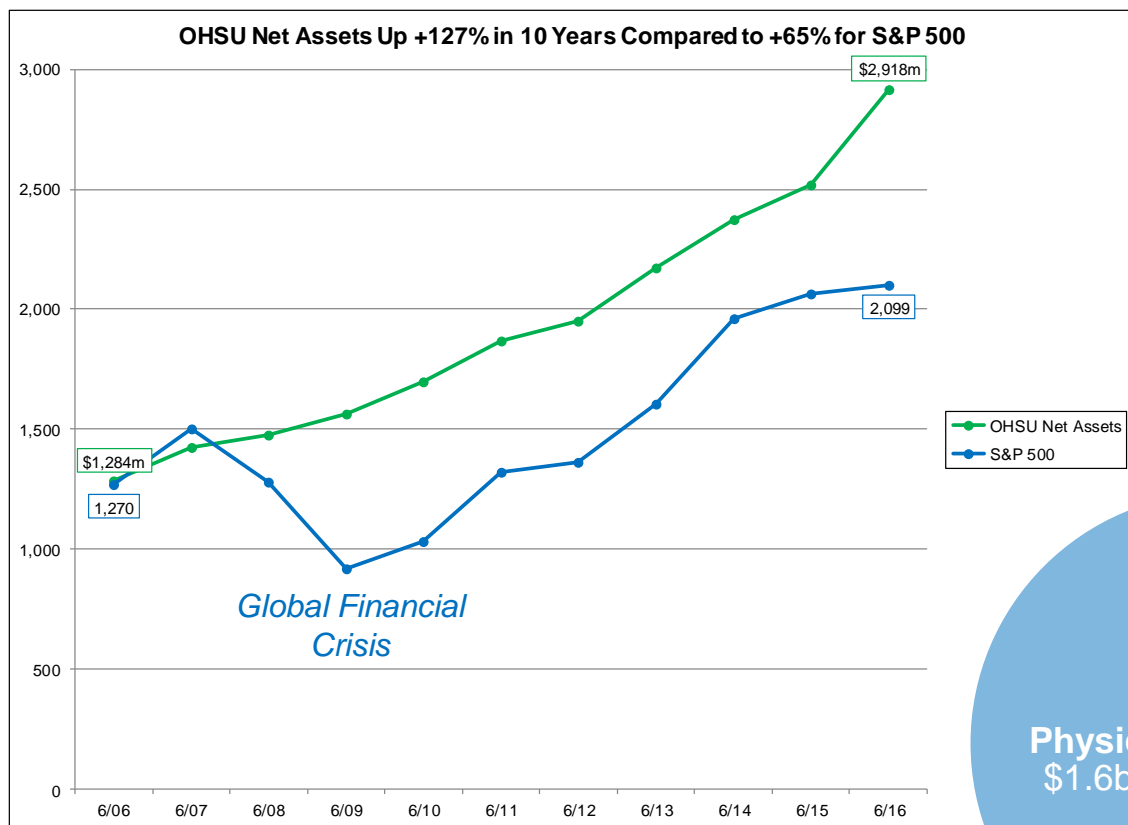
**Four-Week Moving Average of OHSU Overnight Cash Balances
Adjusted for Transfers To / From Longer-Term Funds (millions)**



Current Context: Federal & State Policy

- *“Plans are worthless, but planning is everything” – Dwight D. Eisenhower, 1957*
- On January 15th the Washington Post published an interview with Donald Trump discussing plans to “repeal & replace” the ACA:
 - “We’re going to have insurance for everyone. There was a philosophy in some circles that if you can’t pay for it, you don’t get it. That’s not going to happen.”
 - “It’s not going to be their plan,” he said of people covered under the current law. “It’ll be another plan. But they’ll be beautifully covered. I don’t want single-payer. What I do want is to be able to take care of people.”
- In addition to change at the federal level, Governor Brown’s proposed 2017 – 2019 budget reduces Oregon Medicaid payments to hospitals by \$400 million per biennium, as part of responding to a projected \$1.7 billion gap.
- In the post-election context, OHSU is pausing discretionary spending & hiring except as needed for patient care quality, a safe workplace, financially strong programs and essential operations.
- *Taking action now, from our strong financial base, better positions OHSU to make decisions in coming months that ensure a sustainable financial foundation for the long term.*

OHSU Track Record: Managing in Turbulence





Changing the Way We See Alzheimer's

Jeffrey Kaye, M.D., FA.A.N.

Layton Professor of Neurology & Biomedical Engineering

The Facts

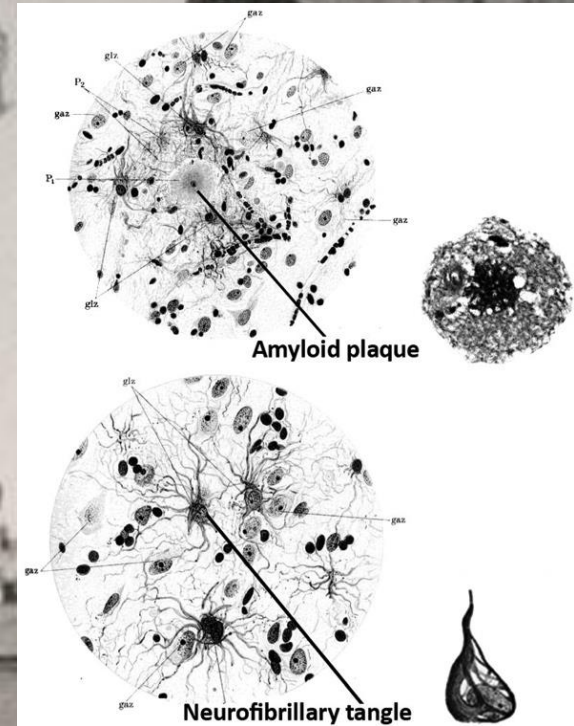
- 5.5 Million living with Alzheimer's today; 80,000 in Oregon
- 1 in 9 over age 65; 1 in 3 over age 85
- Over 15 million providing care or support; 240,000 in OR
- The most expensive disease in America
- The third leading cause of death
- No effective therapy; Last FDA approved drug in 2003
- Research funding ~1/5 cancer, heart disease...
- *10 Million with AD by 2035 if nothing changes*

What do we know about Alzheimer's disease?

In the beginning...*The discovery of 'Alzheimer's disease'*



In the beginning...*The discovery of 'Alzheimer's disease'*



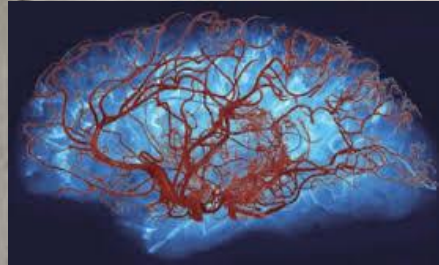
- A. Alzheimer. "On an Unusual Illness of the Cerebral Cortex" (1907)

What do we know now about Alzheimer's disease?

Alzheimer plaques & tangles don't tell the entire story

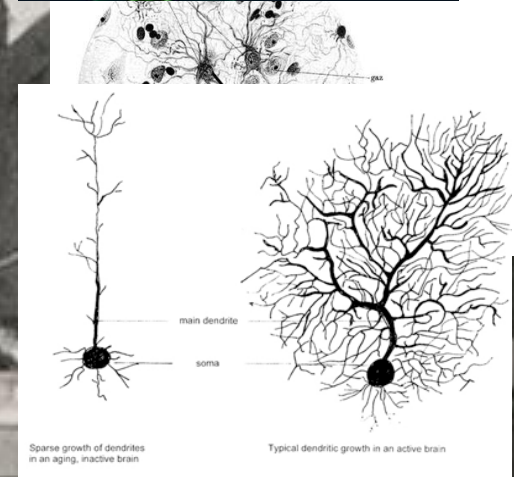
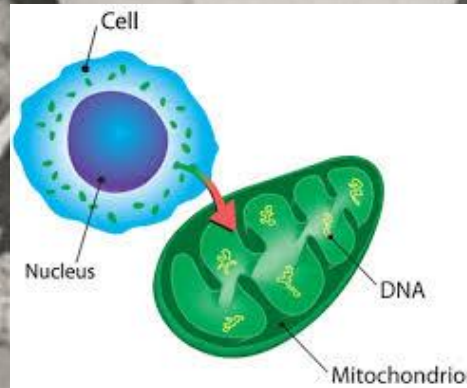
'Plumbing'

Blood Flow & Nutrient Failure



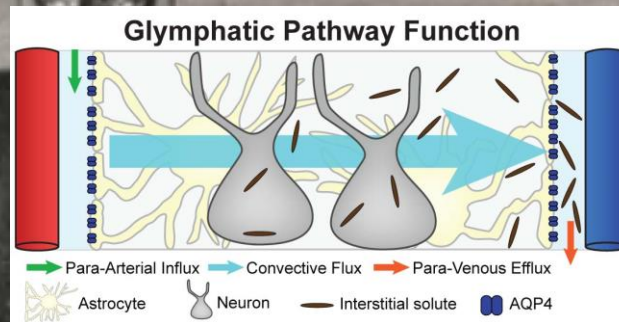
'Electrical'

Energy and Connectivity Failure



'Waste Management'

Toxin Removal Failure



The result of these recent insights...

- Many novel mechanisms need to be pursued.
- Many mechanisms means hundreds of alternative or new treatment targets exist, but are untested.
- Importantly, even absent testing these new treatments, 110 years after Alzheimer's report we now know how to significantly improve the function and QoL of people with Alzheimer's, but we have yet to effectively apply this knowledge.

How to move forward?

Change the way we see Alzheimer's!

A Five Point Plan

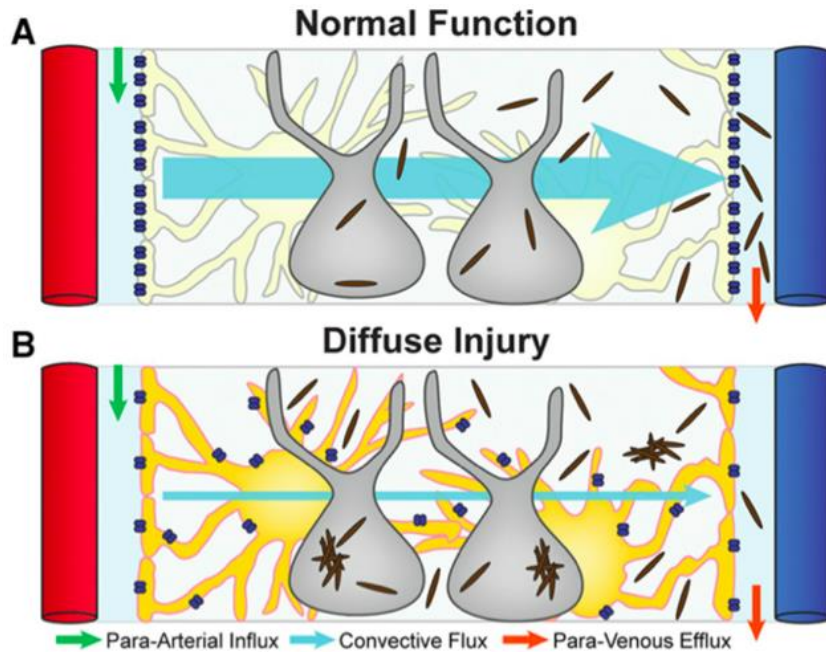
Why we can we achieve transformational change?

Unique resources and talent at OHSU

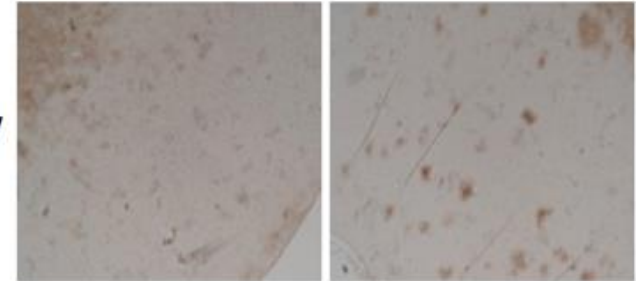
- Top ranked NIH AD research center in US
- Outstanding basic neuroscience
- Outstanding clinical expertise: 200+ person years
- Largest database of all AD centers in US
- Second largest brain tissue bank in US
- Unparalleled technologies for research developed at OHSU (stem cells, imaging, biomarkers, home assessments)
- Leading developer of therapies for today *and* tomorrow
- *An amazing Oregon community!*

1. Changing How We See the Brain with Alzheimer's

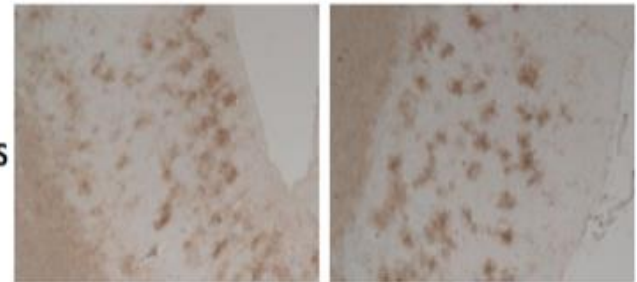
Waste Management – New proteins associated with dementia



Cognitively
Normal



Alzheimer's

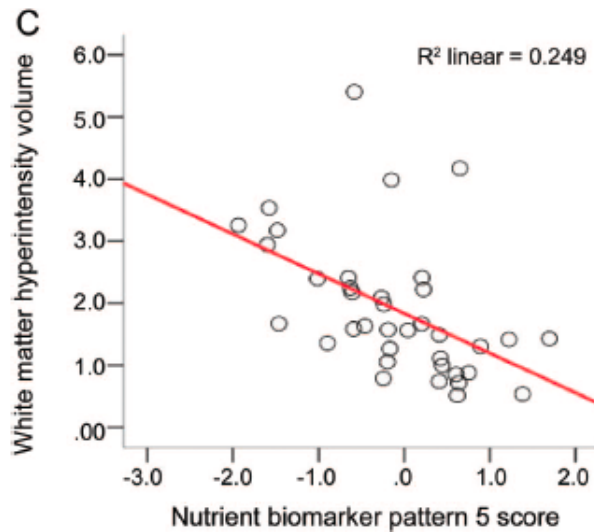
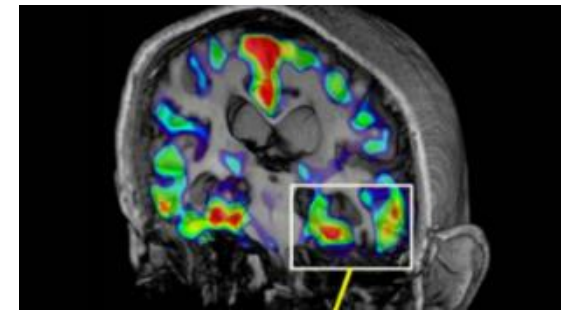
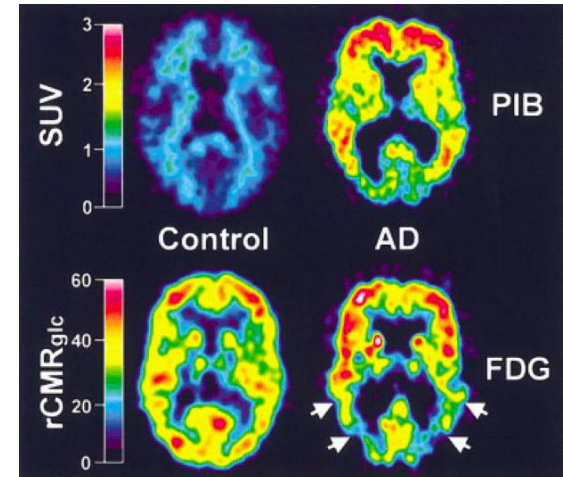
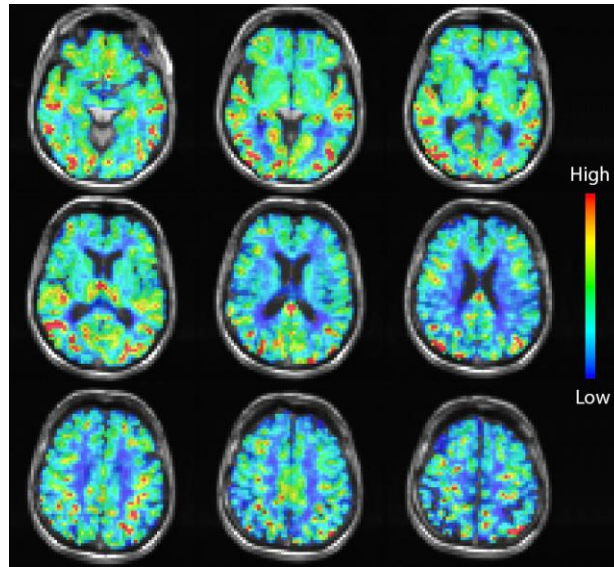
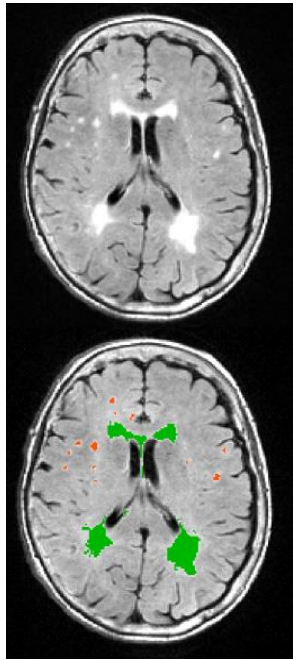


Dr. Jeffrey Iliff, Anesthesia & Perioperative Medicine



Dr. R. Woltjer, Neuropathology
Core Leader, Layton Center

2. Changing How we Diagnose and Assess Alzheimer's

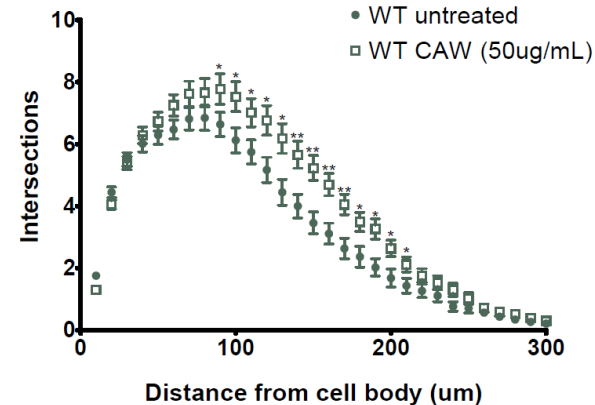
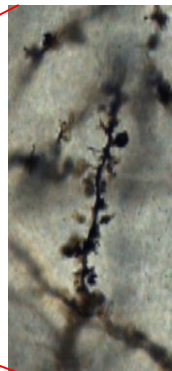
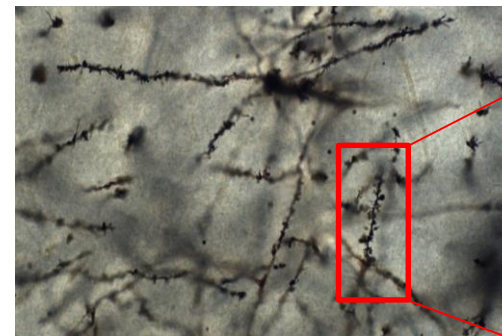
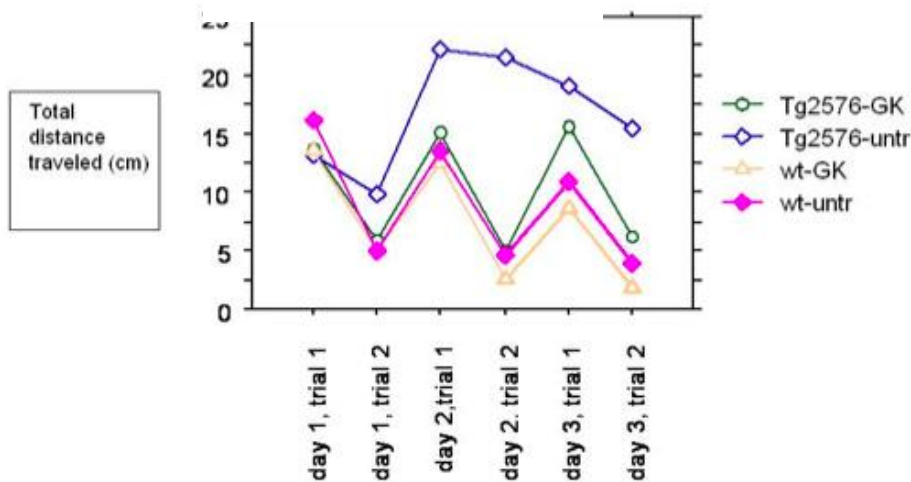


Drs. Silbert, Rooney, and Link
Neurology, ARIC, RRC

3. Changing How we Find Effective Treatments



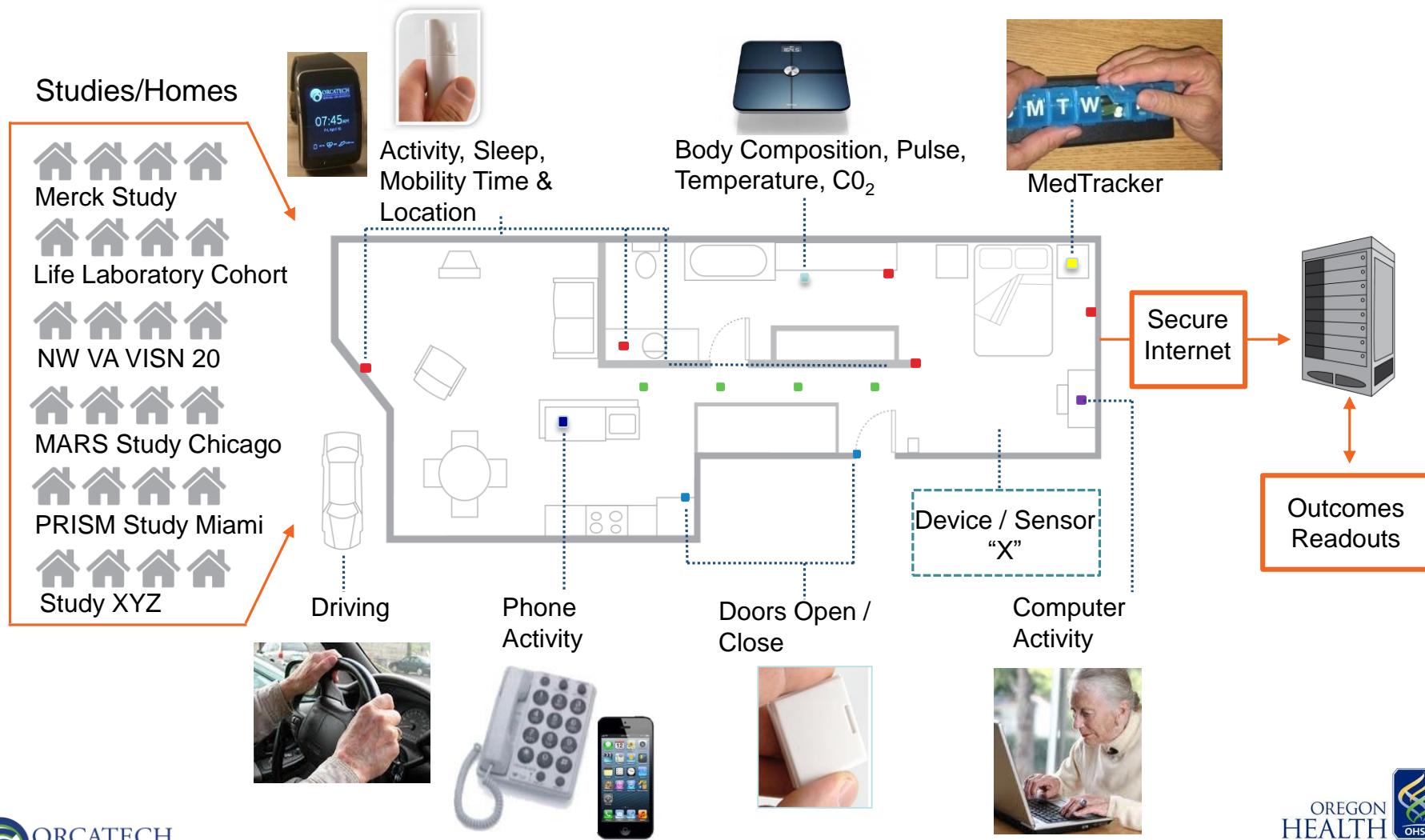
Centella Asiatica



Dr. Amala Soumyanath
Neurology

OHSU-ORCATECH Home Technology Assessment System

'Ten more new treatments can be tested in half the time...'



4. Changing How we Help People with Alzheimer's Now

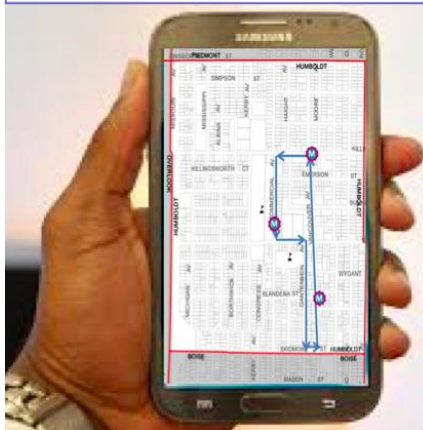
ACT-ON: Alzheimer's Care via Telemedicine for Oregon



ICONET: Internet-based Conversational Engagement Clinical Trial



SHARP: Sharing History Through Active Reminiscence and Photo-imagery



Drs. Lindauer, Erten-Lyons,
Seelye, Croff, Dodge; Neurology

5. Changing the Way we Support the Critical Change Agents

Achieving these landmark changes in AD research and treatment requires a commitment to support and retain the exceptional talent we have, to recruit high level Alzheimer's scientists of international stature *AND MOST IMPORTANTLY THE HEARTS AND MINDS OF OUR COMMUNITY!*



In Summary - Where we stand

- We stand at a transformative moment - We need to apply our insights and talents toward seeing Alzheimer's in new ways.
- In the way its damaging processes take over the brain.
- In the way we identify these changes before it is too late.
- In accelerating how we take these insights and prove that treatments work and are safe.
- And in the way that we bring these discoveries into the homes and the daily fabric of life of everyone facing the challenge of Alzheimer's now.

Be a change agent -

- Join *ACTNOW!*: www.alzactnow.org
- Be an active advocate
- Be a research participant
- Be a citizen-scientist
- Be a generous funder

“If you do not change you may end up in the direction you were heading

- Lao Tzu

Thank You!



Jeffrey Kaye, M.D.,FA.A.N.

Layton Professor of Neurology & Biomedical Engineering

Director, Layton Aging & Alzheimer's Disease Center

Director, Oregon Center for Aging & Technology (*ORCATECH*)

kaye@ohsu.edu



2017 Federal and State Government Relations Update

January 2017



Washington D.C.

- Unique time in D.C. Uncertainty and no clear plan of action in Congress or the Executive Branch on many key issues. Areas of focus will include:
 - Regulations/Executive Orders
 - Presidential Appointments– Senate consideration of Supreme Court, cabinet and other federal agency picks
 - Likely on the legislative agenda:
 - ACA Repeal
 - Infrastructure funding
 - Immigration, education and tax reform proposals
 - Defund Planned Parenthood
 - Completion of FY2017 Appropriations (government funded thru potentially April 28, 2017)

Significant Areas of Interest and Engagement for OHSU

- Health care reform
- Funding of Medicaid, Medicare & SCHIP (Children's Health Program)
- Investments in biomedical research, science
- Education and training of health care workforce

Federal Advocacy

- Oregon Delegation is well positioned to engage on diverse issues of interest to OHSU. For example:
 - Representative Walden, Chair of Energy & Commerce Committee
 - Representative Schrader, Energy & Commerce Committee
 - Representative Blumenauer, Ways & Means Committee
 - Senator Wyden, Ranking Democrat on Senate Finance Committee
 - Senator Merkley, Appropriations Committee
- Strategic alignment in coalition: AAMC, Public Hospitals, Providers and others
- Building relationships with new key leaders in agencies

State Legislative Environment

- Democratic majorities. 20 new members (14 Democrats, 6 Republicans)
- Challenging budget. \$1.7b shortfall (approx. \$900m Medicaid shortfall)
- Health care community targeted for revenue
- Uncertainty about federal actions
- Likely policy discussions:
 - Transportation, affordable housing, gun violence prevention, PERS, women's health act, drug pricing, CCOs, revenue reform

OHSU 2017 Session

Areas of Focus:

- Direct state appropriation for education, SHOI, CDRC, OPC, ORH/AHEC, Knight and Oregon Opportunity bonds
- Medicaid budget – hospital tax, insurer tax, IGT, DSH, GME
- Dental Supervision clean-up
- Tobacco 21
- Car seat safety (working with Pediatrics and OHSU students)



Thank You